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BY

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When I found myself called on to consider in what terms I might with the least inadequacy express my sense of obligation towards those who have placed me in the position which I now occupy, I at once resolved that I would at least avoid all profession of regret that some other person, better qualified than I, had not been chosen to enjoy the double honour of presiding at your opening meeting, and of replacing the Earl of Shaftesbury. The truth is, I am delighted that those better qualified persons have been overlooked, and that the great distinction of such a post and of such a succession has fallen to my fortunate lot. Your leaders have conferred on me an office of high honour and corresponding responsibility. I shall best thank them for this mark of confidence, not by an insincere conventionality, but by straightway addressing myself to discharge, with the best powers that I have, the duty immediately before me.

The choice of a subject to occupy the address now to be delivered was implicitly determined by the fact of my nomination. Why, I asked myself, am I selected to open the Co-operative Congress? Evidently, because I am known to have for some years past made a special study of a particular mode of remunerating labour, which has on the Continent, and particularly in France, made an amount of headway little suspected in this country. I am not wanted, then, to dress up in academic phraseology the well-established facts of co-operative achievement, which those who are to hear me know by personal experience and I know only by hearsay. What I am wanted to do is to describe in straightforward terms the main features of a system about which I ought to be more fully and directly informed than the majority of my audience. In short, the invitation to preside here to-day was, in other words, an invitation to address this Congress on profit-sharing between capital and labour.

I rejoice to think that this subject would have been sympathetically handled by the eminent social reformer whose place I fill, had he been able to enter on the labour question as your chairman for this day. In the long series of generous, sustained and victorious efforts made by Lord Shaftesbury on behalf of the working classes he has aimed at nothing short of promoting their welfare in the very highest form in which that welfare can be conceived. Nevertheless, with the instinct of the practical statesman he has recognised the apostolically warranted necessity of rising to that which is spiritual through that which is natural, and has often deliberately chosen the homeliest

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material foundation on which to rear, in due time, an edifice of spiritual life. Profit-sharing, as I hope ere long to convince you, works on precisely the same principle. Basing itself on the material realities of industrial life, it opens out opportunities which, if turned to account by the hearty goodwill of those in contact with them, hold forth promises of a progress to which it is not easy to set bounds.

Some of those here present are aware that for the last three or four years I have been making efforts in periodical literature, by lectures, and at the beginning of this year in a separate volume,* to draw effective attention to the subject now before us. I mean by "effective" attention, not the mere passing and rapidly evanescent interest which causes a reader to exclaim—"How remarkable!" "What very striking results!" and then permits him to go away and think no more about the matter; but the kind of interest which deepens into an abiding conviction, and leads to prompt and sustained action. Now, with respect to results of this kind, I cannot but feel that my efforts have hitherto, considering the great realised achievements of profit-sharing to which I was able to point, experienced a somewhat disappointing reception. I have spoken to employers of labour. If they were in a large way of business, they appeared to think that the system which I recommended might perhaps work well on a more limited scale. If, on the contrary, they were in a small way of business, it was in their opinion only in large undertakings that a good result could be looked for. Almost every employer seemed persuaded that in his own particular branch, or establishment, nothing could, or, at any rate, would be done. And yet these gentlemen were quite willing to tell me that profit-sharing "is the régime of the future," that "the world is moving in that direction," that "time is on my side," and so forth. Promissory notes of this kind, with no date filled in, are of course devoid of value, except as showing a sense of indebtedness not as yet quickened into a determination to pay up. Individual workmen, so far as I have been able to gather their feeling, perceive clearly the great advantages which attach to profit-sharing, but do not see their way to obtaining the introduction of a system the initiation of which, they think, can only come from the side of the employers.

From a few discussion meetings on the subject, in which both employers and employed took part, I derived a strong impression that the real obstacle which prevented either party from heartily advocating the participatory system lay in a secret consciousness of mutual antagonism and distrust. It was like appealing for joint action to men who had been deeply estranged by some old and but imperfectly patched-up quarrel whose bitterness they did not avow, but which manifestly rankled in their hearts and forced back tendencies towards reconciliation. Where, as in our country, industrial capitalists and the workmen who collaborate with them form, to so very large an extent, distinct classes, if not castes, in the community, with widely differing modes of life, habit and thought, it is a hard matter indeed

* "Profit-Sharing": Kegan Paul, Trench and Co., 1884.

to bring them together in support of a scheme which necessarily involves concession on both sides.

In laying the subject of profit-sharing before a co-operative Congress, I make my appeal under circumstances far more favourable than any which have hitherto presented themselves to me. The delegates here assembled represent, in a way which no other organised body does, all the agents interested in the production and distribution of wealth. In the accumulated savings of your members you possess a great capital, which is predominantly invested in your retail and wholesale stores, but also, though as yet to a comparatively insignificant extent, in establishments of industrial production. So far, then, you represent the interests of the capitalist. You give employment to a host of managers, clerks, salesmen and saleswomen, porters, messengers, &c., and also to a group of productive workmen—under this aspect you represent the interests of the employer of labour. Again, your body embraces a very numerous and important section of the working classes. This constitutes you representatives of labouring interests. Lastly, you have to consider the interests of your purchasing store members, and in respect of this duty you stand as representatives of the consumer. You are then by turns, and under different aspects, guardians of the interests of the capitalist, the employer of labour, the workman, and the consuming public. The question of profit-sharing touches all these interests. I have, therefore, a right to look to you, their representatives, for an impartial desire to be fair all round which could not, in anything like an equal degree, be expected from individuals or organised bodies occupying a less catholic position.

Before I enter on the subject of this address, permit me one word in justification of the mode of exposition which I am about to adopt. In my published writings on profit-sharing I have always begun by setting out in considerable detail of facts and figures the modes in which that system has been organised in houses which adopt it, and the results, material and moral, which, according to the testimony of the heads of those establishments, of their employés, or of both, have flowed from it. After such enumeration, I have sought to sum up and account for these observed results. This method, though well adapted to the purposes of a book, is ill suited to those of an address. I, therefore, to-day adopt a different course.

I shall begin by defining what is meant by profit-sharing, and then ask you to consider with me the results which that system is likely, in virtue of well-known human tendencies, to bring in its train. My first appeal will be, then, to common sense, which has, indeed, been called the least common of senses, but which, if at home anywhere, is surely to be met with at a co-operative Congress. Only when, by its application, we have arrived at definite conclusions, shall confirmation be produced from the results of experience. Thus much premised, I enter on the programme just laid down.

We are familiar, under ordinary industrial relations, with payment by time or by the piece. Under the former arrangement each hour, say, of labour, is remunerated by a fixed sum, while under the latter a

determinate amount of finished work of assigned quality earns a previously stipulated payment. The new system does not supersede, but adjusts itself upon these arrangements. Fixed, or piece-work, wages are paid as under the established routine, and at full market rates; but at the end of each business year a share in the net profits realised is assigned as an additional and wholly independent remuneration to the workmen employed under the system. The individual distribution of the sum thus allotted usually takes place in proportion to the amounts which the men have severally earned during the year in wages, whether paid by time or by the piece. The essence of the system thus lies in giving to workmen a direct interest in the ultimate result of their labour. Let us inquire what effect such an interest is likely to have on those brought under its influence.

It is an undeniable fact that a man will, generally speaking, work far more effectively when employed on his own account than when he is merely a hired servant, the result of whose labour goes to enrich someone else. The celebrated agricultural writer, Arthur Young, when describing the extraordinarily efficient labour of peasant-proprietors working on their own land, expressed this fact in the following striking words: "The magic of property turns sand into gold." An effective stimulus of a like kind will be felt by a workman who, though not actually his own master, knows that every stroke of improved labour will come back to him at the year's end in a share of the enhanced profits which his increased activity has contributed to produce. Assuming that the workman's zeal can be adequately aroused by the prospect thus held out to him, let us inquire what are the means at his command for bringing about enhanced profits.

He can give more work, not by protracting the hours of labour but by avoiding idling and dilatoriness. An increased production must of course result from the sum of such additional efforts. This source of enhanced profits would, it may be objected, not exist where piece work was already in operation; and as far as mere amount of production is concerned, the objection is valid. But piecework, notoriously, has no tendency to improve quality of production beyond the standard which will just satisfy the examiner appointed to test the work done. In respect of quality, therefore, profit-sharing will exert an influence on ultimate returns which is not to be looked for from piecework. It may further be expected that men who have come to know how essentially the prosperity of a house depends on the perfection of its technical procedure will, when a mode of improving that procedure occurs to them which would benefit themselves and their comrades at the year's end, spontaneously communicate their ideas to those who have the power of putting them into execution.

The above are ways in which bettered labour can directly enhance profits. There are others in which it can produce the same result indirectly, by acting against the causes which keep profits below what they might otherwise be. It is, I think, generally admitted that in most industries there is a great deal of needless destruction of materials and injury to costly machinery. Thrifty and thoughtful handling of these would unquestionably stop much leakage of profit, to

the ultimate advantage of the participating workmen. Lastly, there are the costs of superintendence, the largeness of which is mainly due to the fact that, under the existing industrial routine, it is confessedly necessary to extort work by the fear of detected idling and consequent dismissal. If men can only be made to feel, as profit-sharing ought to make them feel, that it is to their own interest to work as well when they are alone as when they are under the eye of an employer or over-looker, these costs of superintendence, which prey so seriously on profits, may, I believe, be greatly reduced. The above considerations, I hold, show decisively that when workmen are directly interested in the returns to their labour, profits will be realised which would not accrue under payment by fixed, or piecework, wages only.

We have here reached the foundation on which profit-sharing, considered from a purely economic point of view, is based—the fact, namely, that it has at command potential energies capable of opening an entirely new source of profits, and so of independently creating its own fund. From this we see at once that an employer who introduces the system is under no necessity of lowering the rate of profits which he has previously been obtaining. He has only to arrange matters in such wise that the share allotted to his employes shall represent no more than the surplus brought in by their improved work. Of course, in saying this, I do not for a moment wish to prejudge the question whether, in particular cases, the employer's profits are or are not higher than it is for the general good that they should be. I merely desire to point out that profit-sharing can be put in force without first solving that extremely intricate question.

It would be wasted time to insist, before co-operators, on the encouragement to saving afforded to a workman by his share in profits coming in a lump sum once a year, instead of being mixed up with his ordinary wages. You have had the fullest experience of such encouragement in your system of dividends on store purchases. The plan of handing over the whole share in a cash bonus is, however, adopted by but a very small number of participating establishments on the continent. The majority of them pay over only a part in ready money, and place the rest in some investment whence the beneficiary can only draw the resulting accumulations after an assigned number of years of age or of work, either in the form of a pension or of a capital sum. A gentle compulsion seems thought requisite to insure for the workman the benefits of systematic saving. Some houses give no cash bonus, and invest compulsorily the entire share allotted to the employé. These are, however, for the most part, insurance offices employing clerks, to whom this long postponement of tangible advantage is better suited than to workmen.

Profit-sharing does not merely supply increased earnings, it also offers a social step which may prove but the beginning of a long-continued progress. There is something irksome in the position of the mere wage-earner, who is apt to feel that he is but a single wheel in a great machine, with neither part nor lot in the ultimate outcome of its operations. The receipt of a share in profits distinctly raises his social status by associating him, though in but a very restricted sense, with

his employing head. There is a tendency to depreciate such considerations as "sentimental," but sentiment plays too mighty a part in the world's progress to allow of its being safely disregarded. I know, in fact, of a case in point, where a participating employment was preferred to one bringing in a larger total sum paid by a fixed salary.

We have seen what are the most obvious advantages which profit-sharing holds out to the workman. Let us next look at the matter from the employer's standpoint.

There can be no doubt that the main difficulty in his position is caused by the unfriendly attitude of his employés. He is liable to sudden demands for increased wages when heavy orders are known to have come in; he may be exposed to a strike; he is forced to spend large sums in costs of superintendence, and yet may find his efforts to secure good work thwarted by organised resistance on the part of those in his employ. For all these evils profit-sharing offers a strong corrective. Men who know that, at the year's end, they will receive their share of whatever prosperity has in the course of it visited the house for which they work, are not likely to press inconsiderately for an advance in wages merely because business has become somewhat brisker. They will work quietly on in the prospect of their ultimate participation. Nor will a strike be resorted to by them except under extreme necessity, when they have once recognised the fact that such a conflict will injure them in two ways; first, by stopping their wages, and next, by curtailing the profits divisible at the end of the year. As far as concerns the kind of superintendence necessary to prevent idling and waste of time, we have already seen that each man may be expected to superintend himself, and community of interest will surely push matters a step further and make him exert upon his neighbours a friendly overlooking much more effective and far less galling than that of a hired superintendent. Of course, I am aware that technical supervision can not possibly be dispensed with. I have now indicated in rough outline the salient advantages which workmen and employers may be expected to derive from successful applications of profit-sharing. They may be summed up as improved material and social position to the former; stability and relief from industrial antagonism to the latter. I proceed to show that experience confirms these conclusions to which theoretical reasoning has led us.

The firm Billon et Isaac,* a joint-stock participating company, at St. Jean, near Geneva, Switzerland, which manufactures parts of the mechanism of musical boxes, affords us an unusually complete insight into what is thought of profit-sharing, both by workmen and employers. The system there followed is, after deducting 6 per cent interest on capital, and payments to reserve and maintenance funds, to divide the net profits into two equal parts, one of which goes to the shareholders and the other to the workmen. One-half of the latter's share is paid over in cash bonuses proportional to wages earned; the other half is invested in the gradual purchase of £4 shares in the

* "Profit-Sharing," pp. 34-38

company, carrying with them votes at its general meetings. From 1871 to 1881 inclusive the entire sum allotted each year to labour out of profits averaged 15 per cent on wages, and the number of participants averaged 100. There were during this period considerable fluctuations in the amount of divisible profits, and none were realised in the year of the Russo-Turkish war. The following extract expresses the opinion of one of the workmen in 1877 :—

“Since the introduction of participation in profits into this house important changes have become visible. There is no denying the fact that the workman who receives only fixed wages and knows beforehand that however much pains he may take with his work he will not on that account receive an additional farthing from his employers—that this workman becomes more and more negligent, and does not bring to bear, as he might do, his full physical and intellectual capacities.

“To my great regret I am bound to confess that this kind of thing occurred only too often among ourselves. Such negligence, moreover, does not show itself in the workshop only, it also invades family life. The workman, once sunk to this point, will in the end care as little for the good of his own family as for that of the establishment which employs him. . . . If he has a numerous family to support, it often happens that, in order to avoid seeing his own poverty, or to escape from the complaints of his wife, he seeks a refuge in the pot-house. The inevitable consequence of this conduct is the steadily increasing degradation of this workman and of his family; similar instances present themselves in abundance at Geneva.

“Nevertheless, to remedy such evils is not so difficult a task as one might suppose. For proof of this it suffices to institute a comparison between the circumstances of the workman in our house before participation in profits with those which we now find there after the introduction of that system.

“The undersigned has been working for the last eight years in this factory; he has therefore had sufficient opportunities for observation in this respect, and he can testify that participation in profits has done real wonders in it; one might even say that it has entirely altered the mode of life and habits of the workmen. Formerly no one thought save of himself and of his individual interests; quarrels about work were nothing out of the common way. Now, on the contrary, all consider themselves as members of one and the same family, and the good of the establishment has become the object of everyone’s solicitude, because our own personal interest is bound up in it.

“It is with pleasure that one remarks how each man strives to fill up his time with conscientious effort to effect the utmost possible saving on the materials, to collect carefully the fallen chips of metal; and how, if one or other now and then is guilty of some negligence, a joking remark from his neighbour suffices to bring him to order again.

“If now we cast a glance at the workman’s family, we cannot help seeing that there too a notable change for the better has been produced. . . . Those men who formerly spent the chief part of their spare time at the public-house, where they gave vent to such

sentiments as the following: 'None of us can ever come to anything,' have now got hold of quite different ideas. The first payment of shares in profits has laid in their minds the foundation-stone of a new way of looking at things, and awakened hopes for the realisation of which saving is an indispensable condition. One cherishes the hope of purchasing a cottage; another wishes to set up a little shop; a third thinks of accumulating a small sum towards his old age, and, perceiving that the thing may prove possible, takes to staying at home: his wife, overjoyed at this change, strives to make his fireside as pleasant to him as possible, and supports him in the enterprise which he has taken in hand.

"The benefits of the system introduced among us are still more manifest in times of commercial crisis like that through which we have passed this winter. For a considerable time we have been reduced to seven hours of labour, and the earnings of a workman with a family on his hands barely sufficed to find food and clothing. Nevertheless one's house-rent had to be paid, and, inasmuch as here nearly all lodgings are paid for three months in advance, more than one of us would have had to sleep with the stars for roof had not the deposit-account come opportunely to the rescue."

I take the next extract from a joint opinion, signed by seventy of Billon et Isaacs' men in the same year, when the whole staff numbered only eighty-two:—

"Every workman who has become a shareholder and joint proprietor with his employers devotes his utmost attention to the success of the undertaking. The workman, having the same interests as his employer, and perceiving that he is no longer treated like a machine, works with energy and courage; our hearts are warmed and cheered by contact with those of our employers, who are always ready to set us a good example.

"Piecework, premiums, the raising of wages . . . can in no-wise replace, for the workman's heart and the master's advantage, participation in profits; under this principle one works with good heart, which is the same thing as saying that one works more and better. It is no longer a mercenary work."

Now hear M. Billon, also in 1877, on the excellent results which followed the introduction of profit-sharing:—

"We soon became aware of the good influence which the prospect of sharing in profits exercised on our workmen. An entirely fresh zeal for work, and a lively interest in the house, showed themselves among them; a genuine solidarity was not slow in establishing itself, each man comprehending that all negligence in the performance of his duty was prejudicial alike to his colleagues and to himself. The task of superintendence became easy to us, and we were able thenceforward, without fear of offending anyone, to insist on points of detail to which we had hitherto been obliged to shut our eyes. Moreover, the feeling of security with which the attitude of our workmen inspired us permitted us to give ourselves up wholly to the development of our business. . . . It has often been said to us, 'You have not had difficulties with your workmen, thanks to good years. But let an

industrial crisis arise, and great will be your embarrassment when you are obliged to dismiss your employés.' This contingency, which assuredly we had foreseen when organising participation, has presented itself; and we can say henceforward that it has done nothing but confirm our faith in the principle. . . . The crisis has served to demonstrate that, in bad as in good years, we are better situated in reference to the men than are those who have not applied the principle of participation. As to our workpeople, it has made them understand, better than any arguments could have done, the benefits of obligatory thrift. Those among them who have shared in profits during those five years have received an annual average of 20 per cent on their wages, so that, if they have laid by the entire fruit of the participation, they possessed at the time of the last division a sum equivalent to one year's wages."

M. Billon was good enough to write to me on the 15th of November, 1880, in the following terms:—

"You ask me my present opinion on the working of participation in our house. I am happy to tell you that this principle continues to work to our entire satisfaction. . . . After ten years of experience we congratulate ourselves more and more on having adopted it. Its application has to such a degree become ingrained into our modes of doing business that we should not know how to get on without it; the management of an undertaking appears to us no longer possible without this element of justice, harmony and peace."

After referring to piecework, premiums, &c., as all good in their places and measures, M. Billon added:—

"These methods are all inadequate to obtain the complete adhesion of the workman; it is only by participation in profits, accorded on a suitable scale that his interest in the economic side of an undertaking (care of materials, products, &c.) is thoroughly aroused, and that the sentiment of solidarity is developed and bears its fruits."

Details as to the working of profit-sharing in a number of other establishments are given in my book. They hardly, however, convey such striking confirmation as that which has just now been laid before you. I propose, therefore, not to quote them here, but to read you some fresh evidence, given only last summer before a French Government Commission, by a number of employers themselves practising the participating systems the results of which they describe.

M. Marquot, junior managing partner in a great house-painting establishment, the celebrated Maison Leclair, 11, rue St. Georges, Paris, made the following statement:—

"The results obtained are of two kinds, material and moral. The workmen, having more well-being in their homes, remain there much more; they practice saving, some of them have become small proprietors. Further, the workman conducts himself more steadily, and never keeps St. Monday. He knows that he has a mission to fulfil, and that he is bound by his bearing and his courtesy towards the customers to represent the house in whose prosperity he has every interest. We very often have men engaged on work in the country over whom we cannot exercise any kind of superintendence, and yet

we receive nothing but commendation from the persons at whose houses we send them to work, as well on the score of their good behaviour as of their good and loyal execution of work. We owe these results to participation, for the workman knows that he has every interest in satisfying the customers and so insuring himself work. The workman in our house employs his time well, because he knows that, at the year's end, the more good results he has produced the more he will have gained. If, now and then, in moments of pressure, a mangy sheep creeps into our flock, it never remains there beyond forty-eight hours, our attention is forthwith requested to its presence. From a statistical statement in reference to our own house only, drawn up before profit-sharing was definitively established by legal deed, it appears that the number of house-painters who did not work on Monday and drank immoderately was 40 per cent. Since 1863, when that legal establishment of the system took place, this ratio has been on the decrease, and for the last ten years it is not with us one per cent, indeed for more than five years we have never been called upon for an act of severity against intemperance."

M. de Courcy, managing director of one of the largest Paris insurances offices, the *Compagnie d'Assurances Générales*, 87, rue de Richelieu, gave the following evidence:—

"The results have been magnificent for our employés, and they have also been so excellent for the company itself that I am convinced it has made a good bargain."

After speaking of the results obtained under his own eyes, M. de Courcy related a conversation he had had with M. Gasté, a lithographer in a small way of business, employing only ten or twelve men, for whom he paid 33 per cent of his profits into a provident fund. "I have," said M. Gasté, "the air of being very generous. I am not so. I more than get back the 33 per cent of profits which I put into the provident fund in good workmanship, in assiduous labour, in the certainty that I shall not have strikes, in a good choice of workmen—I can always have the best—and in economy of materials and of time." M. Gasté added, in confirmation of the last particular, the following piece of personal experience. Many lithographic stones used, previously to the introduction of profit-sharing, to get broken in his workshop. They were worth about 24 francs each. After the introduction of that system these stones left off getting broken, and M. Gasté one day overheard a workman address to a comrade the following remonstrance:—"I say! don't break any more stones; its 8 francs that that game costs us."

The evidence next to be cited was given by M. Chaix, head of one of the leading printing, publishing and bookselling establishments in Paris, 20 rue Bergère:—

"I believe that profit-sharing is a mixed system, intermediate between the established routine and co-operative production; it deserves to be encouraged. The workman, especially, will derive benefit from it; he will learn to become independent, to form those co-operative associations for which he is as yet insufficiently prepared, because he does not possess the qualities which he acquires in meetings such as those held

in our house, where he sees what we are doing for the children, for himself and for the aged men. Were profit-sharing encouraged, were this programme of union inscribed on the banner of the republic, I believe in ten years from now the workman would, in an economic point of view, have made immense progress."

The next citation describes the experience of MM. de Lesseps, father and son, directors of the Suez Canal Company:—

"From the initiation of the Suez Canal, we occupied ourselves in organising profit-sharing in favour of our employés. We went to work in a very simple way. It is statutorily provided that 2 per cent shall be annually distributed among the participating employés, and this year (1883) they received after the general meeting 600,000f. (£25,000). A committee, composed of employés, attends to those of their comrades who are assailed by disease, distress or inability to work. These institutions maintain a complete unity of feeling between the company and its staff. We have been in a position to receive proofs of the zeal and devotion of our agents, and have only to congratulate ourselves on what we have done."

M. Laroche-Joubert, member of the Chamber of Deputies, and head of co-operative paper mills at Angoulême, employing from 1,200 to 1,500 workmen, gave evidence as follows:—

"I have studied the question in all its aspects. Perfection is, it is true, not for this world; but, if there be anything which approaches it, I believe that profit-sharing is the system which presents the smallest inconveniences.

"The unity of feeling created by participation makes all my workmen superintend each other—a superintendence far more real than could be that exercised by employés paid the highest wages to overlook without being interested."

"It is not to be supposed that the master has in consequence of adopting participation given away a part of his profits: not at all, he has done a very good stroke of business, and this is the fact of which we must try to convince those who are not in favour of the system."

M. Laroche-Joubert recounted to the commissioners the circumstances which led to his being elected to the Chamber of Deputies, and, as they stand in direct relation to profit-sharing, I translate his narrative:—

"From 1860 to 1868 my workmen were, without my knowledge, constantly making applications to the Imperial Government to get me decorated. Not an atom of attention was paid to their requests. Annoyed, and even galled, at encountering this refusal to recognise the merit of having organised participation which they discovered in me (there was at that time only the Maison Leclaire which practised it at Paris), they got into their heads the idea of procuring my election as Deputy.

"I said to them, 'But if I go away, what will become of you?' They answered, 'Your son is four-and-twenty, he understands the business, he will help you.'

"They compelled me to stand, and to stand against a Government candidate under the Empire. I never saw such a set of enthusiasts.

People supposed that I was paying them a huge bribe; they would have been deeply wounded if I had offered them a farthing. In two ballots they carried the election. I had the honour to beat M. Mathieu-Bodet, the Government candidate, who was afterwards Finance Minister in the cabinet of M. Thiers.

"The moment I had become a Deputy, the honour of decoration was offered me from all quarters; the President of the Corps Legislative, the Minister of the Interior, my friend Emile Ollivier, wanted to have me decorated. I should perhaps have accepted the honour had it been offered to me as a manufacturer; but if I had allowed myself to be decorated because of being a Deputy, I should have looked as if I had made my way into the Chamber for the sake of a bit of ribbon. It was only at the fall of the Empire that that fine old fellow Louvet, then Minister of Agriculture and Commerce, wrote to me in about the following terms:—'In spite of your protestations, it shall not be said that I quit the Ministry of Agriculture and Commerce without having decorated the man who has rendered so many services to the working class, and effected such great improvements in the products of his industry.'

"I was decorated. It is the one moment in history when persons in authority perceived that there existed in the world anyone who practised co-operation!"

The case of M. Laroche-Joubert is, I believe, as yet the only one where profit-sharing has carried an industrial chief straight into an imperial legislature. I only hope that my mentioning it here may not lead some Conservative Derby manufacturer, eager for parliamentary honours, to turn the system into an engine for the discomfiture of our distinguished Home Secretary. The spectacle of Liberal principles and profit-sharing drawn up against each other in hostile array, would, I verily believe, rive my heart in twain.

I should be sorry if it were thought that I have mentioned here only cases of successful profit-sharing with any intention to conceal the fact that the system has sustained serious reverses. One of these, indeed, that encountered at Messrs. Briggs and Co.'s Whitwood Collieries near Normanton, Yorkshire, in 1875, has attained so great a notoriety, that an attempt to keep it out of sight would be at least as futile as it would be disingenuous. If I do not enter upon that case here, it is not because, in the interest of profit-sharing I have any reason to fear the issue of the discussion, but simply because it would not be possible to place the facts in their proper light without unduly encroaching on the space which I require for matters of more immediate practical importance.*

We have now seen of what kind are the advantages already realised in individual profit-sharing undertakings. There is reason to think that other benefits would follow the multiplication of such concerns. I cannot, for instance, believe that houses in the same branch of business would, when numbers of working men were directly interested in the prosperity of each, practice the really criminal competition by which

* See this subject fully treated in "Profit-Sharing," pp. 117-154.

prices are emulously lowered and wages driven down towards starvation-point. Workmen are much less predatory in their instincts than employers, and their feeling of comradeship towards their class is so strong that I should reckon, among the members of profit-sharing houses, on a resolute opposition to sordid and grasping competition. A kind of federative union among such houses might exert no inconsiderable influence in this direction, and instructed public opinion could, I think be depended on to back up firms known to admit their employés to profit-sharing against those who refused it to them, or had recourse to unscrupulous underselling. The trade unions might, I conceive, offer efficient aid in this direction. Adulteration and many other forms of trade dishonesty would also, we may expect, be no less sternly discountenanced than inordinate competition by united bodies of participating workmen.

The time has now arrived when I must turn from exposition to practical application. Some of the leading advantages attainable on the path of profit-sharing have been set before you. Are you disposed to welcome the system? I earnestly hope that you are, and this is not merely my own desire, but that of men qualified by the fullest business experience who, in Paris, are looking with keen interest for the report of your proceedings this day. A society, composed exclusively of employers of labour either themselves practising participation or favourable to its introduction, was established in Paris in 1879, for the purpose of facilitating the study of the various systems under which workmen are admitted to a direct interest in profits. The society has published a mass of important information on the participatory movement, and to its exertions must, in great measure, be attributed the extremely important position which profit-sharing is assuming in French public opinion. The executive committee of the society, on learning that I was to bring before you the subject which has engaged so much of their own thought, addressed to me, for presentation to the Congress, the following letter which I beg your permission now to read :—

“ Paris, May 12, 1884.

“ Mr. Chairman,—The executive committee of the society for the study of profit-sharing has learned by your last letter that the Congress of delegates from the English co-operative societies will open this year under your chairmanship, that you will treat the subject of profit-sharing in your address, and that our society may thus avail itself of an opportunity which it has long looked for to transmit to the English co-operators an expression of its deep-seated and cherished sympathies. We rejoice, Mr. Chairman, to send this our brotherly greeting to the eminent and devoted men who, in thus taking in hand with you the study of profit-sharing, will aid the progress of a just and fruitful idea by the support of their moral force, of their potent influence with their fellow-countrymen, and of their complete acquaintance with industrial and commercial affairs. In the case of all originators of great undertakings there has been united to the ardour which attacked the questions involved, the practical spirit which was essential to bring the study of them to a successful issue. The nation which

witnessed the rise of the Rochdale Equitable Pioneers, and which is entitled to the honour of having shown to the world the immense benefits conferred by societies of co-operative distribution, may be depended on to support, with its stock of gathered experience, the efforts of other nations, in order to attack victoriously with them the many and delicate problems involved in the distribution of industrial and agricultural profits among the several agents contributing to their production. In what measure is it desirable, over and above salaries, wages and interest on capital, to assign a share in profits to the intelligence which conceives, organises and directs the entire undertaking, to the workmen of every rank and grade who prepare or carry out the orders of the executive, to the capital which faces all the risks of enterprise? How are we to give to heads of departments, to clerks, to workmen, in short to all co-operating agents, the guarantees to which they are entitled, without weakening or compromising the necessary authority of the manager and the essential prerogatives of the capitalist? Profit-sharing is now able to inscribe on its banner more triumphs than checks, and public opinion is everywhere showing itself favourable to the fresh applications of the system which are rising around us.

"It is henceforward more than ever incumbent on the promoters of profit-sharing, while carefully keeping in view the great and manifold differences between the various branches of industry, to bring to the knowledge of the parties interested the conditions, general or special, express or tacit, which make up the new contract, and have in various directions been already applied with success. Let us all be encouraged in this task by the conviction, daily growing firmer, that profit-sharing rests on ample and solid foundations, viz., justice, brotherhood, the interest of the individual and the good of the community. We are sure of finding ourselves in agreement with English co-operators when we affirm that this principle of equitable division, favourable to industrial peace, can support no arbitrary intrusion on the part of any external power: it can be serviceably put in operation only through a sincere and loyal understanding between employers and employed, by their individual or collective initiative, but always under the shield of liberty.

"The present address was deliberated on and adopted at a meeting of the executive committee. Present: MM. Charles Robert, A. Chaix, Ed. Goffinon, Tuleu, Dubois, Godchaux, Marquot, Trombert.

"Receive, Mr. Chairman, the cordial assurance of our high consideration.—Signed on behalf of the committee,

"CHARLES ROBERT, President.

"A. CHAIX, Vice-President."

I have, of course, as little wish as power to forestall the decision of the co-operative body on the grave question which I am submitting to it. I may, however, without presumption, make a few suggestions as to the modes in which, if you take my view of the issue, your support might most effectively be rendered to the cause of profit-sharing.

The first thing to be done is, undoubtedly, to get the whole subject thoroughly discussed by the working classes of this country. An exceptionally intelligent or public-spirited employer here and there

may, as some have already done, or are about doing, introduce profit-sharing of his own accord; but the employers as a class will, I am convinced, take no step in that direction until the working classes shall have definitively, and, I may add, somewhat loudly, pronounced in favour of the system. Now, in bringing about the general discussion which must precede a working-class verdict, you, gentlemen, are in a position to act with the utmost effect. I have taken measures to place in the hands of each of you a copy of my little volume on profit-sharing, and am in the first instance obliged to ask a burdensome favour of you, that you will do me the honour to read it. That accomplished, will you bring before your constituents, and as many other intelligent working men as you can collect, either papers of your own on profit-sharing, or, should other calls on your time not permit of that, then extracts from my book embodying the salient features of the system and the principal results attained under it? If you will get the whole matter thoroughly ventilated in this fashion, and if the decision of the co-operative body goes in the direction which I desire, a great step will have been made by next year's Congress. Your leaders might then, perhaps, see their way to apply for a Royal Commission on profit-sharing, which should collect from various quarters information supplementary to the evidence on French participating houses issued last year under the authority of the Minister of the Interior. I should hope, also, that working men would, by that time, independently approach their employers with requests for trials of a system which they had studied and were prepared to make a success.

But there are still more practical steps by which immediate "object-lessons" can be given to public opinion. A leading organ of the press lately suggested one such step, which three years ago I urged—only, I hope, in more polite language—on the attention of the Southern Section of the Co-operative Board. "It would be a great thing" wrote the *Pall Mall Gazette*, on May 13th last, "if some of our co-operative stores would prove themselves a little more worthy of the name, and adopt the system of profit-sharing between their employés which has been so successful at the Bon Marché* at Paris." I know that an interest in profits is at some stores given to the manager and attendants. But why should not the system be further extended? It may be expected to bring in its train increased attention, economy and forethought, by which the stores would materially benefit; and it would give an improved status to men who perform meritoriously a useful public function, and deserve whatever support can be thus extended to them.

Again, why not turn to account your unique position with respect to capital, management, labour and market, to organise, far more widely than you have yet done, industrial and agricultural production on a genuinely profit-sharing, and not on a mere joint-stock basis? I have already spoken fully on the benefits thence derivable, and will only add that, in settling the details of your scheme, you might obtain

* "Profit-Sharing," pp. 110-116.

valuable hints from the system adopted by the Decorative Co-operators' Association Limited, 405, Oxford-street, London, of which Miss Hart is the indefatigable secretary, and that popular co-operator, Mr. Acland, one of the directors. The plans adopted by Messrs. Cassell (London), and by Messrs. Tangye (Birmingham), should also be carefully considered.

But I will go further, and appeal to any man in this hall who is an employer of labour, on however small a scale. Why not give profit-sharing a trial on your own private initiative? The house-industries, building, carpentering, painting, plumbing, &c., where but little machinery is employed, where wages are the main element of cost and effective superintendence is hardly possible, offer quite exceptionally favourable openings; and the system is just as applicable to a single employé as it is to a thousand.

Before terminating this address, let me point out how profit-sharing may be made to bear on the greatest social problem of our time.

All countries in an advanced condition of industrial development, and, therefore, England and Scotland above all others, are painfully struggling with a question which bids fair, ere long, unceremoniously to shoulder from the arena of public discussion many essentially trivial party issues which have hitherto been allowed to disport themselves upon it, disguised as questions of first-class national concern. Once recognised in its momentous character and its vast extent, the question of the relations between capital and labour must inevitably dominate public attention.

These relations are admitted on all hands to be bad. Before attempting to better them, however, we must have a precise idea wherein their badness consists, what has brought it about, and how its causes may be replaced by ameliorating tendencies. There is no difficulty in settling the first point. The separation of employers and employed into two classes living in almost entire isolation from each other, utterly estranged in heart and mind, connected only as barterers of so much money for so much work—herein lies the badness of things as they are. How they have come to this pass among ourselves may be seen clearly by anyone who examines historically the development of our great machine-industries during the period preceding the passing of the Factory Acts. The practice of treating the industrial operative, not as a human being collaborating with other human beings towards a result of general utility, but as a productive machine whose principal function is to enrich an employing capitalist, was then firmly established and ruthlessly pursued. Huge fortunes were rapidly amassed at the cost of severe sufferings undergone by a class too uneducated, unorganised and unrepresented to offer any effective resistance. Fostered, as I think, by the writings of political economists belonging to the extreme Manchester school, there grew up concurrently a debased public opinion which attached paramount importance to the possession of material wealth. The prevalence of this tone of thought may be gauged by the fact that, even now, it is firmly imbedded in our ordinary phraseology. How do we colloquially estimate the "value" of a man, even at that solemn moment when

the final balance of a whole life is struck? We say that So-and-so has died "worth" so many thousand pounds. No wonder, then, that to secure a high assessment of this class, many an industrial accumulator has said within himself: "What shall I do? This will I do: I will pull down my factories and build greater, I will drive my competitors out of the trade, I will secure a monopoly, I will dominate the foreign markets, I will vie in luxury and splendour with the best millionaires in the country——" until at last there have suddenly issued forth the crushing words of doom: "Thou fool, this night thy soul shall be required of thee; then whose shall those things be which thou hast prepared?"

The present relations between employers and employed are in no small degree a legacy from the state of practice and opinion which I have thus attempted to characterise. The material conditions of factory life have indeed been enormously improved; but the habit of regarding the operatives as simply so much labouring-force, and of worshipping wealth merely as such, are still, I hold, sufficiently prevalent to be a source of unquestionable peril. The working classes are rapidly acquiring a sufficient equipment of education to study industrial questions with their own eyes: they are strongly organised in trade societies: their voices count more and more in political issues. They will never again acquiesce, and they never ought to acquiesce, in any settlement which does not fully recognise the inherent human dignity of the labourer.

In order to get out of the dead-lock presented by the existing antagonism, we must recur to the familiar, but neglected doctrine that wealth is no end in itself, but only valuable in so far as it is made subservient to the elevation of mankind. Channing has described in noble words wherein that elevation should consist. "There is," he told a Boston working-class audience, "but one elevation for a labourer and for all other men. There are not different kinds of dignity for different orders of men, but one and the same for all. The only elevation of a human being consists in the exercise, growth, energy, of the higher principles and powers of his soul. A bird may be shot upwards to the skies by a foreign power; but it rises, in the true sense of the word, only when it spreads its own wings and soars by its own living power. So a man may be thrust upward into a conspicuous place by outward accidents, but he rises only in so far as he exerts himself and expands his best faculties and ascends by a free effort to a nobler region of thought and action."

I have said enough to indicate that, in my view, mere readjustments of economic organisation are incapable by themselves of healing a deep-seated industrial disease. They may, however, become important channels through which moral remedies can be applied. Profit-sharing is, I believe, one of the best of such channels, by availing themselves of which right-minded employers and employed may mutually promote the highest interests of both classes. I close, then, by expressing in words which I have used elsewhere, my profound conviction that the best fruits of the system which I have this day brought before you "can be reaped only by men who feel that life does not consist in

abundance of material possessions, who regard stewardship as nobler than ownership, who see in the outcome of all true work issues reaching beyond the limits of the present dispensation, and who act faithfully and strenuously on these beliefs."*

"Profit-Sharing," p. x.



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INAUGURAL ADDRESS

DELIVERED AT THE

SEVENTEENTH ANNUAL

CO-OPERATIVE CONGRESS,

HELD AT OLDHAM, MAY 25, 26, & 27, 1885,

BY

LLOYD JONES, ESQ.

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THE INAUGURAL ADDRESS.

Those who have hitherto delivered the Inaugural Addresses at the opening of our Annual Congresses have been persons of position, learning, and ability. They were warm and candid friends of co-operation, and they brought with them to the task they so well performed a high approval of the work in which the co-operators of the kingdom are engaged; an approval of great value, because those who uttered it were men whose experiences in the business of life were varied, and who, in giving their approval gave the highest assurance that co-operation, in its principles, objects, and methods, was not antagonistic to the true interest of society, in any class, or in any legitimate occupation of life.

With your permission, I shall treat my subject to-day from the *inside*. However disposed to regard co-operation impartially from an outside point of view, my position as one of the early workers in it, and my continued activity in seeking to procure for it public recognition, may have rendered me in some measure unfit to give judgment on its various points with judicial impartiality. I claim, however, that even should this be the case there are counterbalancing compensations. The early workers entered on their labours convinced that the evils of society needed correction—these evils were not the creation of a heated imagination; were not the proposals of philanthropists whose sympathies were not sufficiently checked by the questionings of common sense; the men who commenced and carried forward the movement, which has now assumed such gigantic proportions, experienced in their own persons the wrongs and the sufferings against which they protested. Not only did they justify their first beginnings by actual facts, but they shaped gradually and with care their practical proposals for social and industrial reforms.

The present system of distributive co-operation has been the growth of years. It has been tested by severe, extensive, and long-trying experiment, and it has come out of the trial triumphantly. It is a great deal to say, but it is not too much after what has been accomplished—that the system of distributive co-operation proves that the strictest honesty and the purest truth can be practised in the most ordinary every-day distributive business. In addition, it has, so far as its dealings extend among the working portion of our own population, abolished the habit, previously almost universal, of purchasing the ordinary articles of daily household consumption on credit, and thus forethought and thrift have been promoted, and the misery of a credit system, with the adulterations and the other impositions belonging to it, abolished. It should be mentioned here, also, that the mode of management instituted in the store movement having thrown all offices

open to those considered most fit for them, the experience of business has become accessible to all; and the improvements of personal character necessarily resulting from discussions in which considerations of mere personal gain give place to those having reference to men in association, must in time be felt as a great influencing moral power. Another result of the movement we represent here to-day is worth noting. The power of association for fellow-help before co-operation struck root, whatever form it took, or whatever object it aimed at, was found to be difficult almost up to the point of impossibility. Political and industrial suspicions and antagonisms in the employing and governing classes led to combination laws and other forms of restriction. The natural outcome to the people from these was isolation, ignorance of each other, personal distrust, inability to act together in confidence on common ideas for the promotion of common interests. The new conditions of life brought to the workers by the invention and application of mechanical aids to production were maddening them by displacement of labour, and a widely-felt consequent misery, the cure for which, or the end of which, in their isolation they could not see. Hence anger, violence, destruction of the new implements of production, and all the pains, and penalties, and hopelessness such a conflict of passions and interests begets.

It was this state of things the first co-operators had to face. Their first experiments were necessarily limited and local. The people united in a store and trusted each other with difficulty; the different stores that had gradually come into existence in different localities, if they did not regard each other with absolute distrust, kept apart, as if isolation was necessary to co-operative success. Those only who have had personal experience of the force of such prejudices at the commencement of the co-operative movement can understand how vitally important the work has been of breaking down these barriers created by the suspicions of ignorance. Now, instead of a number of stores dotted here and there, each "keeping itself to itself," its members rejoicing in its success, or mourning over its difficulties and troubles, there is a mighty growth of individual associations covering the land, tied together by ligatures of common thought, common sympathy, and common interest. The various societies of the kingdom, instead of being jealously separated from each other, are here together in your persons to-day, for purposes of consultation and decision. You occupy a higher ground, from which you can take a wider survey of the whole field of co-operative action. You can note the various operations—the feebleness of some, the superabundant strength of others; and you can balance and equalise the application of the moving power at all points by transferring life and vigour from the whole to its parts as needed; and thus unite the solid experience acquired in the performance of any particular duty with the wideness of view in those whose studies comprehend the entire movement, its thoughts, its plans, its developments, its progress.

Without raising the question as to whether the success of the movement has been as great as it might have been, we may take our stand on the fact that it has been very extraordinary. The Rochdale twenty-eight of 1844, has in forty-one years grown into 700,000 members, for the

most part heads of families. As growth of numbers this is a most striking and encouraging fact; but when it is borne in mind that it means growth of provident habits, increase of forethought, and general steadiness of conduct to make compliance with the rules of business at the stores possible, the moral change implied becomes even more striking and important than mere increase of numbers. You have thus not only overcome the inertness of large masses of working people, and stirred with life those who previously had manifested little interest in the social and moral progress of society; but you have enlarged the scope of popular thought, and proved the power and capacity of disciplined numbers to accomplish any great object with the attainment of which men may ally their hopes. You may also claim as a distinguishing characteristic of the work in which you have been engaged, that you have not tried to make those who suffer, content with their condition. On the contrary, you have endeavoured to excite their discontent, not against the arrangements and decrees of providence, but against the stupidity and injustice of men who seek to excuse their blunders by claiming for them the character of providential decrees.

I make this avowal here with the utmost frankness in the presence of men in a position to guarantee its truth. The discontent we excite is not against men, or classes of men, but against social arrangements and business usages that, being productive of misery to society, require careful but speedy rectification. And I make it the more readily because our efforts absolutely require, and can only be successful when made in peace. Labouring in the interest of all, and excluding neither individuals nor classes from our organisation, we are pledged to equity in our aims, and to order and peace in their attainment, and in this way we are gradually changing those vast bodies of men now known throughout Europe as the "dangerous classes," into friends of order and equity, and ever-watchful guardians of the truest and best interests of society. The new method of co-operative distribution obtains its highest sanction from its increase in members and growth of business. Those who have entered into it are satisfied that the interests of all are equally guarded, and the results to all equally distributed. The questions to be discussed by the co-operative body henceforth are not those of the equity or practicability of the work in hand so much as how to extend its operations and develop its plans; how to make more perfect the work set on foot; and how, with as little loss of time as possible, to open up, in connection with the co-operative principle, new practical developments and new outlets of activity; that no ground may be suffered to lie waste, no talent to remain unemployed, no effort to be misdirected or needlessly delayed. Every desire, every hope, every energy of mind and body is enlisted on the side of an orderly and beneficial progress. The thinker and the intelligent worker have not had thrown upon them the necessity of carrying forward the dead-weight of ignorance and indifference. Such a general effort to advance as co-operation renders necessary, brings, as it were, all hands to the plough, and adds to the fertility of the soil and the fuller abundance of succeeding harvests, by the agency of the sun-

shine, the rain, the wind, the frost, and other forces of nature operating in the interest of men who, as we are truly told, are helped by God when they help themselves.

I have been speaking hitherto of the character and progress of the co operative movement. It would, however, be a culpable remissness on my part if I neglected to point out as the result of many years' close observation how I think its character may be improved and its progress accelerated. I cannot help thinking that there would be a great gain in a higher and more methodical system of co-operative teaching than has been pursued up to the present time. I am as much in favour of general culture as any one can be. I consider it our duty to sympathise with all efforts wisely made to raise the level of the nation's intelligence. I believe implicitly in the true meaning of the words put by Shakspeare into the mouth of Lord Say, that "Ignorance is the curse of God," and "Knowledge the wing wherewith we fly to heaven." It is a matter of gratification to me that the old co-operators were the most active advocates of national education in the country. Yet, while prepared to go any reasonable length for the promotion of a sound system of education, open freely to all, I yet recognise and emphasise the fact, that over the whole of the business of life special instruction is necessary for the proper performance of special duties. And in the present state of our movement this presses on us as a fact more than at any previous period of our progress. In the early stages of our existence things waited to be done until we saw the necessity for doing them. If additional accommodation to meet the growth of business was needed, or additional assistance in service, to render such a growth possible, much discussion was required and many divisions by vote taken before it could be done. If a higher market had to be reached, that a superior system of purchase might be entered on, there was again years of discussion and much shaking of the general head before any practical steps could be taken. Then, as now, we had large numbers of those critics who pronounce nearly everything visionary and impracticable before it is successfully done, and when accomplished find it quite simple, and wonder why it was not done sooner. The movement had to grow at its commencement by action on public opinion outside. It had to be improved in its methods of business by much persuasion and controversy inside, against an opposition originating very much in fear lest the advantages gained should be hazarded and lost.

This condition of things has been changed. The movement has now continued over so many years—the numbers of those who have joined and remained in it are so vast—the gains in experience have given so much increased confidence and activity—a study of the principle of co-operation has so extended the vision and increased the courage of the members of our stores, that if new possibilities of development in thought and business are not perceived and acted on by those at the head of the movement, things will do themselves out of the increased vitality felt at all points where co-operative work is carried on. If we would hold this great movement together, preserve the unity of its thought and the spirit and object of its efforts, by a careful discipline of its numbers, we ought to pay special attention to the establishment

of an effective system of co-operative teaching. I mean a teaching within the movement, directed specially to the cultivation of co-operative thought, and the stimulation of co-operative action, for the attainment of co-operative ends. I attach the highest importance to sectional conferences. They lead to an invaluable cultivation of thought, communication of experiences in store working, and a growth of personal acquaintanceships and friendships which in carrying forward a great work of voluntary association are of priceless value. I make it a rule to go over with some degree of care the papers read and the discussions that take place at these conferences, and I confess that I feel so strongly their importance in the ability and the variety of the practical information communicated, not only as to improvements in store management, extension of business, and elevation of aim, but in everything that concerns co-operative success, that I regard them as of the utmost value in extending and advancing co-operation. The addresses delivered at the quarterly and annual meetings of the various stores are of much importance, and who shall deliver them, and what their character ought to be, is a matter requiring very careful consideration. But as I cannot go into detail on a subject so varied and extensive, I may say briefly that the direction of co-operative teaching, and the supervision and regulation of the literature of the movement should be under special and competent direction. The thought of the movement has given it its birth and its growth; and its trained intelligence should give it development and direction, so that it may be at all times consistent with itself at all points, never deviating into eccentricities of doctrine, or contradictions of policy; never putting incompetence where efficiency should be; but using all thought, all talent, all fitness to do in the best way whatever can be accomplished in the interest of all. I should not insist on internal co-operative teaching so much did I not see in it the life and the growth of life in this movement. Thought and communication and expansion of thought amongst men who are all teachers and at the same time all learners; men whose every day's experience enlarges their interest in what they are engaged in, and increases their power to give stability to the new system of business growing daily under their hands. A stability that must increase with the progress of the movement, and which must become safe beyond chance of accident, when that which was an effort becomes a habit of daily life, more difficult to relinquish than to continue.

Among other things, it is of importance that persons employed in this movement, in whatever capacity, should be treated not only with confidence and respect, but with generosity. That the efficiency of their services should be acknowledged by promotions honestly due to them. In such a great association as that represented here to-day, personal favour in one case should never be allowed to interfere with personal deserving in another. Nothing, as a lapse of duty should be more strongly guarded against, or more promptly condemned, than such an abuse of authority. If under any pretence such preferences are permitted to intrude, nothing can hinder a gradual growth of distrust, to be accompanied by a spirit of faction and cabal, out of which no successful joint work can come. In a movement

where employments are so various, and where personal skill and personal integrity are so essential, few things can be more important than putting the "right man in the right place," that every faculty and aptitude may have opportunity to work in the best way for furthering the common object.

This will be more distinctly recognised if we consider the importance of distributive co-operation. We should always bear in mind that the work of the store on the side nearest to us and more immediately affecting our interests is not its most important work. To procure what may be necessary for daily household consumption, and to receive these things of right weight and measure, without adulteration or fraudulent admixture, at the lowest cost compatible with the fair treatment of the producer, is a matter of much consequence, even if it went no further. This is not the case with distributive co-operation. Its shopkeeping machinery opens a way into the homes of the people whereby their means, their wants, and their power of combined action in the regulation of the business of their daily lives can be accurately ascertained in all it is desirable to know. The business that began with a few men and a few pounds scarcely more than forty years ago includes now, as already stated, 700,000 persons, and does business to the extent of many millions sterling annually. This indicates that consumption has been organised to that extent; that we have taken into our own hands, as our own property, the implements by which this business is carried on. We have proved by our success that we can do this business in all its branches, so as to meet the requirements of society as completely as those who have hitherto conducted it. There are several points of preference I omit here, being desirous to confine myself to one great central fact which has not, I think, been urged with the emphasis its importance demands. I mean the fact that a system of co-operative distribution is practically a system for the organisation of co-operative consumption. The store is a point where the kind, the quality, and the quantity of every article consumed is, in fact, registered. Stocks are purchased wherever the store managers, for reasons sufficient to them, decide. It rests with them, as committees and buyers, who shall be employed as food-producers, as manufacturers and as operatives, and on what conditions of employment these various processes shall be carried on. Practically this is so now. I do not speak of the manner in which the power placed in the hands of our co-operative people in distribution is used. My wish is to draw attention to productive co-operation, and point out our duty in regard to it, as a pressing and interesting part of our subject, which we cannot pass over if we would, but which we need not pass over, as we all take a deep interest in it, and desire to have it discussed and if possible settled in a spirit becoming men who respect each other's opinions, and who are anxious to work together for the promotion of each other's welfare.

Productive co-operation is different from, and, I think, more difficult than, distributive co-operation. The distributive store, from the first hour of its existence, can furnish from within itself the conditions of its own success. The capital supplied and the custom guaranteed, proper organisation and management secured the experiment from

dependence on outside favours or fear of outside attack. A proper performance of stipulated and easily understood duties renders vigorous life and healthy growth certain. Productive co-operation, at present, must, in the nature of things, enter speculatively the ordinary markets. It implies—except under any special circumstances—self-supplied capital, and in the present state of our industrial system, this has to be found in large amounts, the progress over the whole field of our varied industries must necessarily be slow. There are, no doubt, also difficulties of organisation and management, where concerns are large, costly, and self-conducted. And above all, there is the difficulty of finding markets for the production of such concerns, where skill in management, abounding capital, and the intense struggles of a fierce competition, force men at certain seasons within dangerous nearness to the lowest point at which commercial life can be sustained. We started our system of distributive co-operation when a credit system prevailed, and when prices ruled high, and when, in addition, adulteration, to increase profits, reduced by bad debts, had become general. The advantages of a ready-money system, which caused these evils to disappear, were not difficult to feel or understand. Productive co-operation has had, and for a long time yet will have, at starting to face a different condition of things. Its market will not be self-supplied; its capital, in sufficient quantity, will be difficult to obtain; its skill in management and direction will not be easily procured; and the possession of the markets will belong to others with no means of admission left open to the new comers, but lowness of price and excellence of work, to be recognised by purchasers in a keenly competitive market. It must not be forgotten that though lowness of price is, in the present state of things, desirable, it is sometimes, even in the co-operative store and in reference to co-operative production, carried to a length more in accordance with a false economy than with sound wisdom. But admitting these discouragements, there is nothing more certain than that co-operative production, being a necessity in this movement, will never cease its experiments until it is as much a success as distributive co-operation has become. Having successfully organised a plan for the expenditure of the wages of those who labour, based on strict equity, and sustained by sound morality—that plan cannot be regarded as more than fragmentary, until the same spirit and practice of equity and morality are applied as completely and as successfully to co-operative wage-earning as to co-operative buying and selling. I do not say how soon or how late, or in what way this has to be done, nor do I pretend to prophesy as to the rapidity or slowness of its progress. I have tried to estimate the difficulties of the task which we all seem to have agreed on the necessity of accomplishing. I do not wish to underrate these difficulties; but I cannot exclude from the calculation on the other side, the enormous new force we have called into the field; men who, had this movement (with its thought, its business arrangements, its realisable benefits, and its enlarged hopes of general good to the community) not been called into existence, would most likely have gone on dreaming away their uneasy lives, but who are now thoughtful, active, earnest workers in the cause

of progress. When in such a movement as this principles are understood, and the objects to be aimed at recognised, its success does not depend on a few leaders of genius so much as on the intelligent, active energy of every individual. It is alive all over; it acts at every point; the anger of impatience settles down into the calmness of irresistible conviction. The eloquence of spirit-stirring words in the few, becomes subordinate to the eloquence of action in the many, and what the highest genius could not effect by the persuasion of logic becomes easy when attempted by numbers inspired by principles, animated by high motives, and sustained by a conspicuous success.

In co-operative production nearly everything has been left, so far, to the chapter of accidents. No plan has been decided on with general approval in the experiments set on foot by the central authority of the movement. Crumpsall Works, Leicester and Heckmondwike boot and shoe factories are co-operative establishments, inasmuch as they have been organised by the co-operative body, to supply the demands of the co-operative stores; but the ordinary relation of the operative to his work has not been changed. There is a great multiple ownership, or mastership; and the workmen, it may be said, are paid the current rate of wages, and are treated, I believe, with more than ordinary consideration and fairness. These establishments prove the power of association to carry on the productive and distributive business of society better than it has hitherto been carried on; but it cannot be said that they have proved the practicability of any new or more equitable plan of arranging the relative claims of capital and labour, as sharers in the profits of industry, better than that which prevails at present under the competitive system of business. Whether or not this is a sound policy would be out of place to say here to-day. But, as I am speaking to those who are all interested in the highest co-operative success that can be attained, and whose business it is to promote equity in the dealings of men, I am not afraid of exciting the prejudices of partisans. I hope rather that my words may have some effect in causing intelligent discussion, and in promoting the truest and safest policy in connection with our efforts for the promotion of productive co-operation.

I am speaking, now, solely of the productive experiments made by the Wholesale. Beyond these, associative efforts are taking place, those engaged in which are in thorough accord with the general movement. In what I have to say of these I shall not criticise. We must recognise the fact that co-operators, acting on their own thought outside the movement, employing their own resources on their own responsibility, make experiments that whether they succeed or fail carry in them lessons worth studying. Those of them who have adopted the principle of bonus to labour, as Eccles and Hebden Bridge, have grappled with a difficulty that must, I think, be overcome, if the peace of society is to be preserved. From every quarter this fact comes to us most painfully emphasised. The disturbing causes are the poverty and misery of the workers, and these more frequent through crises in the modern industrial system, seem to be getting worse rather than better. In such circumstances, what can

be more natural than that those who work and suffer, and whose discontent endangers society, should ask, and should continually press the question, whether in productive industry where the profit is a result of capital and labour conjointly, the whole should belong to the owner of the capital, and none to the owner of the labour, especially when it is borne in mind that wages are not paid out of profit, but are a portion of the cost of the product from which profit arises. It may not be the time to discuss such an important question as this, though I am very much disposed to think that no better time could be selected, "the sooner the better" is a good saying, when public preference is asked for one thing rather than another, and when time is an element in deciding the choice. Those who believe in the claims of labour to a share in profits, should not be content with proving such an arrangement desirable; they should also practically prove it to be possible, not by one, or two, or ten experiments, but by instances so numerous as to put it beyond doubt as a preferable system of business. That it will be better for society seems to me to be beyond a doubt. The enormous increase of our productive power, the extent of our foreign trade, the large increase of capital in the country, for which it is next to impossible to find profitable investment, are circumstances that demand new conditions of industrial life. Mr. Giffen estimates the total capital of the United Kingdom in 1865 as £6,100,000,000, which, ten years after—1875—he puts at £8,500,000,000, or an increase during the ten years of £2,400,000,000. If we look at this side by side with a poor-rate which had increased during the same period from £7,779,869 to £9,333,403, it should not be difficult to see that such a heavy increase of the poor-rates of the kingdom, considering that, whatever we may call them, are a necessary supplement to the wages of the people, ought to be impossible, remembering the fact that the capital of the country had been increased by £2,400,000,000. If such a fact be not proof of an inequitable division of the national income, it is at least a justification of the efforts made to improve the condition of the people, by giving the workers an interest beyond wages in the result of their labour.

In this movement we ought not to shrink from what is a clear duty. There are many ways in which we may prepare ourselves for the performance of this duty; there are perhaps several ways in which it may be performed. It has already been pointed out that those assembled here to-day represent large numbers of men who derive many advantages from the working of co-operation in the various localities they inhabit. Among others, considerable pecuniary resources, which to some extent might be used to carry forward any work that may be deemed desirable. Perhaps the cry most frequently heard during the last few years among the co-operators of the kingdom has been, and is, how they may find investment of a profitable kind for the capital now becoming a difficulty through lack of ability to find good use for it. If with this fact forced daily on our attention, we find a disinclination to use even a moderate proportion of it in forwarding co-operative production, does it not furnish something like proof that we lack faith in our own principles? The capital in hand has been made in co-operation. It is the creation of the co-operative idea: without

the one the other would not have had an existence in the hands that now hold it. Upon whom, therefore, I ask, should the duty of developing co-operation first fall? I think the natural answer is, on those who have been benefited by it so far as it has been carried out. Upon what fund should it principally rely for its gradual, natural, and necessary development? There can be only one answer, namely, On the funds of its own creation, in the hands of the men who have watched their growth, and who ought to understand best their truest and most legitimate use.

The idea of productive co-operation cannot be treated with indifference. Most of our co-operators are working men, who live by their labour, and, therefore, to them, the treatment of labour in connection with capital is a matter of vital interest. Side by side with our co-operators, and, I may say, intermixed with them, are the bodies of that vast labour force we denominate trade-unionism. The purposes for which these exist is to guard the interests of labour, and generally to promote the welfare of the worker. They are, therefore, the natural allies of the co-operators; and although they should not be expected to imprudently risk the funds at present subscribed for other purposes, in co-operative productive concerns, they ought to take an active interest, openly, decidedly, and methodically, in the co-operative movement. On the distributive side, because it would supply them with funds to try great future labour experiments of productive kinds, because it aims directly at the emancipation of labour from the thralldom of capital. In 1874, at the Halifax Congress, an opening was made by a resolution which provided for an annual representation at the Congresses held by each of these great bodies. Nothing of any moment has come of it, but this has not been because there is no important work to be done, but rather because neither our co-operators nor trade-unionists have come to understand what they may do and how they should set about it. I cannot even hint at the many points where the two bodies may forward each other's interests, when they take thought and set to work for that purpose. It would not cost much time, nor entail great trouble, if every trade in the kingdom drew up a memorandum stating its numbers, its average wages, the capital required to start a workshop of the average size, the number of men to be employed in such workshop in proportion to the capital required to carry on the business, and to add, among other items of information, the ideas of their men as to the desirableness of adopting the co-operative principle. Nor would it be a difficult thing to have at the Wholesale centre a list of the articles sold that might be co-operatively produced; and a consultative body appointed from both movements, whose duty it should be to inquire and advise as to when, and under what conditions, organised co-operative production might be set to work to supply organised co-operative distribution; so that connections with outside traders, which when formed are not easy to break, might be prevented by a timely co-operative supply, which we all admit is the true and natural growth of the co-operative idea. And, in addition, that the trades might always look to the co-operators as friends, preparing the way to the higher position of combined self-employment.

Another form of thought in connection with the claims of labour was brought under the notice of the last Congress by Mr. Sedley Taylor in the inaugural address delivered by him on that occasion. There can be little doubt that something can be done by the adoption of sound plans honestly worked; and the successes that have been secured, especially in the Leclaire-Godin experiments, are sufficiently striking to give hope that they may be multiplied. To ensure success, however, an absence of suspicion is necessary; whilst the juxtaposition of employer and employed, and the temptation on both sides to promote old interests by old methods, renders mutual confidence most difficult; and where failures take place, as they have done in Great Britain in nearly all cases where the experiment has been tried, it will be found that the unworkable character of the plans adopted is not so much the cause, as the tempers and the conduct of those who entered on the trial, more with a view to their own immediate interests than with a desire to assist in establishing a higher equity in the relation of workman and employer. Such experiments, nevertheless, are worth continuing, as the proposal in itself is sound, and only waits the coming together of suitable people to ensure individual cases of success. And there is this great advantage in connection with such a system, it requires no breaking up of old relations, nor does it call for large investments of new capital at the outset; whilst it opens the way to such gradual changes as may place working men in a high position of independence in their workshops, and of comfort in their homes.

Another movement which demands our attention, were it only for its magnitude, is that represented by joint-stock spinning mills, principally belonging to Oldham and its neighbourhood. Even were we men of prejudice instead of being, as I think I may say we are, men of observation and impartial judgment, we could not, being on the spot, overlook these. There are somewhere about eighty of these mills within a radius of three or four miles from this spot. The capital employed in building, furnishing, and working these cannot be less than eight millions sterling, and the success they have achieved is of a most remarkable kind. They may be regarded in connection with the co-operative movement as a special growth, and they require to be looked at and considered on their own merits. From what has been said already it will be understood that there is no acknowledged standard accepted generally in the co-operative movement, typifying the true form of co-operative production. In distribution it is so. In production this is not the case. Those who are active in bringing into life a productive association, give it whatever form or character they think most favourable to its success. The liberty they thus assume, in the nature of things, belongs to them. Outsiders have no right to interfere. To approve or to disapprove is their right, but beyond this, they cannot in fairness go. The capital is not theirs, the management is not theirs, the responsibility is not theirs. Those who have found the capital, who have undertaken the management, and who have accepted the responsibility, must bear the blame of failure should failure come; and they are fairly entitled to the profit and honour of success, should they pass triumphantly through the ordeal they have challenged. It is in this way the men of this

district must be judged. They were absolutely within their right in doing what they have done; but whilst we make no pretence to question that right, we may ask ourselves a few questions as to its probable effect on the movement generally. I confess that I do not accept the joint-stock system as the best on which to pursue co-operative production, but I must add that I regard it as a great stride in advance of the old system of individual and co-partnership proprietary: and a greater advance still when the shares are at a price calculated to draw into such concerns the savings of the working people. I would greatly prefer if the worker, as such, had a claim on part profits as a labour right; but as he is a profit-sharer by the facility with which small investments may be made by the workers, so much is gained. That a portion of the profits should come in this way into the hands of the operatives is better than that none should come in any way; and so far there is an advantage in the establishment of joint-stock mills. I think, also, there is considerable gain in the sense of proprietorship it awakens in shareholding workers, and in the power it gives them to take part in the exercise of the rights and duties belonging to proprietors. There is, no doubt, a liability to loss by fluctuations in value of shares, and by the forced sale of shares in times of trade depression. But, to my mind, it is clear that such liability to loss might be greatly lessened by the institution of a loan fund, to be advanced on the security of such shares. Such an arrangement would have a tendency to check declensions in their value, and thus not only preserve them in the hands of the owners, but would steady their price by making them less liable to the trickeries of speculators in the share market.

There are, however, other and most important considerations in connection with these joint-stock concerns. They prove a point in co-operative action which has perhaps been more in question than anything else connected with our great movement, namely, the capacity of the working people to call into existence and carry on successfully great concerns in which order and obedience are absolutely necessary—and when employed in these, to conform to the laws of their own making, and submit to managers appointed by themselves. Without going into any examination of the facts on which this misgiving rests, it may be said that the men of the Oldham district have practically proved that they have no force against co-operative production. There are between 70 and 80 factories in this district, built by companies chiefly composed of working men in £5 shares: furnished and put into working order by them, managed by persons appointed by them, in their working, and in the disposal of their produce, without lawlessness, or disorder, or proved inefficiency of any kind; in honesty, intelligence, subordination, or any other quality necessary to place them on the highest level of commercial success. The importance of this in giving confidence to the masses of the people, in their ability to act together for the attainment of common objects, is immense. Only those who have assisted in the discouraging and painful task of persuading the people that they could accomplish any important object by the unity and discipline of their numbers, can estimate such a stride in advance at its real value. But important as this is, what has been done in this town and neighbourhood goes

far beyond it; namely, to face and overcome the dangerous fallacy built on the assumption that united numbers are placed at a disadvantage in competition with individual owners of large concerns. It was asserted that everything so attempted must be done in a clumsier and less effective manner, and therefore at a higher cost of production. As a consequence they would always enter the market at a disadvantage when compared with the individual manufacturer. It was openly stated that, when in connection with the co-operative movement purchases were made by store buyers from co-operative producers, the preference was the result of prejudice in favour of the articles bought, because they were co-operatively produced. In view of the success with which the men of this neighbourhood have conducted their business, that fallacy ought to have no longer an abiding place among sensible men. The produce of the mills of Oldham and its neighbourhood had no preferential market. The ordinary markets open to all were open to them, and none beyond these; and if personal feelings ever influenced the bargains made, these were unfavourable rather than otherwise to the joint-stock mills. Besides, the old manufacturers had got possession of the markets — had formed those business relations that favour the giving of orders, and yet the vigorous men of this district fought their way into the heart of the commercial citadel and now hold a position from which it would be difficult to dislodge them. The work of co-operation has so far been bravely and well done, in proof of the practicability of manufacturing and commercial success by an unity of numbers. If they have not done this in conformity with the highest form of co-operative thought, it is but fair to admit that that highest form has, as yet, but received a partial and somewhat feeble practical recognition. There is not much that gives any one party engaged in co-operative production a right to criticise harshly the proceedings of any other; but there is much, when what has been accomplished is looked at altogether, to draw us towards each other in mutual confidence, and to hold us together for the accomplishment of the great task that lies before us. Whatever part of this movement we may be engaged in, we need such sympathy and help as we can render each other—we require intercommunication of thought, kindly advice, and generous example, and when it is called for, candid criticism. In this way we become partakers of each other's strength, and helpers of each other in our common labours. Our thoughts become settled convictions; our new methods of business grow to be daily habits, fixed and unalterable, except in obedience to the teachings of time, and in conformity with sound principles of social and industrial equity. I have already mentioned the extraordinary growth of our great movement. I have pointed out its vitality over its whole extent, wherever a store exists as a centre of action; its continuous intercommunications, its facilities for teaching by example and precept, as in conferences and at local meetings; enthusiasm for a principle being united with business profits, and both with the moral, social, and industrial improvement of the masses of the people. Every difficulty disappears before such an apostolate. The people are the teachers and the learners. They confer the blessing, and they receive it; they perpe-

tuate it, extend it, and transmit it by mere force of ever-increasing numbers. From a few individuals with zeal and the consciousness of a good cause they acquire local, then general influence—drawing at last the national energies to their assistance, and in time making their struggles and their triumphs as wide as humanity itself.

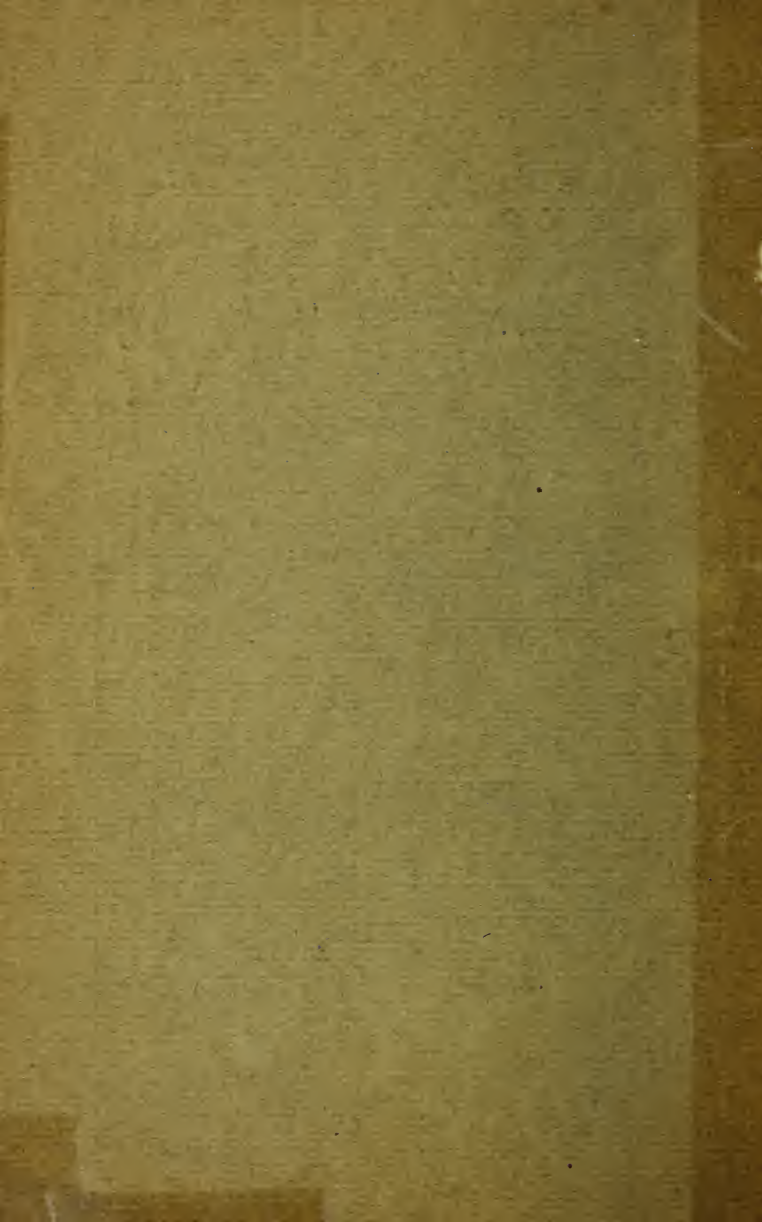
Let me conclude by expressing a hope that at this present Congress we shall by our deliberations make our understanding of the work before us clearer; our union closer and more perfect, our resolution more determined, and our energies more active for the accomplishment of the great work that lies before us.



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BY THE

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THE INAUGURAL ADDRESS.

Gentlemen,—I esteem it a high honour to have been selected by you to occupy the chair to-day, but I own that I am a little puzzled to know what qualifications I possess which may have guided you in your choice of a President. I can only think of two such qualifications—the first is the accident that I live in the neighbourhood of your place of meeting, and in that capacity I give you a hearty welcome; the second is that probably I know less of the details and the practical working of the co-operative system than any member of the Congress. This may appear a very negative kind of qualification. I imagine, however, that you may desire to hear what an outsider may have to say about the system which you have done so much to promote, and which you are endeavouring to extend and develop. It is not a bad thing for any of us, in any enterprise in which we may have embarked, to endeavour “to see ourselves as others see us.” I shall therefore, in the remarks which I have to make to you, occupy the position of an outsider—but of an outsider who sympathises heartily with your aims and objects, and who desires a fuller and more general application of the principles which you are here to advocate.

I feel that I have been somewhat over bold in undertaking the responsible task which you have imposed on me. I feel this especially when I remember that I was preceded in this office by a man of great knowledge and ability—Mr. Lloyd Jones—to whom the co-operative movement owes such a deep sense of gratitude. Those who knew him well will, in following me, speak of his services, for to the majority of the members of this Congress I can say nothing new. I have far more to learn from them than they from me, and to the general public my remarks will scarcely be flavoured with any originality. With your indulgence I will endeavour to state some of the principles and advantages of co-operation, and contrast that system with other systems which have been proposed for improving the condition of the wage-earning classes of the population.

During the last half-century a great political revolution (and it is nothing less) has been accomplished. The power which at the commencement of this period was vested in the minority of the nation, who employ, has been by degrees transferred to the majority, who are employed. It is therefore of the utmost importance to the nation that a sound knowledge of the principles on which our commercial prosperity is based should be as widely diffused as possible.

Concurrently with the development of our political institutions there has been a development of trade and commerce such as the world has never before witnessed in any period of similar length. Many

causes have combined to produce this result. It is difficult to estimate their relative effects. The removal of restrictions on trade and commerce; the application of steam machinery to manufactures and agriculture, and to locomotion by land and sea; the invention of the electric telegraph; the discovery of gold in California and Australia; and the marvellous growth of English-speaking communities on the shores of the Atlantic and Pacific Oceans, have combined to revolutionise our industry and commerce, and to produce vast changes in the social and economical conditions of life in this country.

In 1831 the population of Great Britain was 16,480,000, it is now more than 30,000,000. The value of our exports and imports together has increased nearly eight-fold. Our exports consisted in 1831 almost entirely of cotton, linen, and woollen manufactures which accounted for £27,500,000 out of £37,000,000, the declared value of exports of British manufactures and produce. Iron and steel represented only £1,125,000. The imports of food were so small that they scarcely deserve mention—I do not of course include the products of tropical countries—by far the largest part of our imports consisted of raw materials for our textile manufactures. The population was fed almost entirely on home-grown produce. Now our import of corn of various kinds alone (which was in 1884 £48,000,000) equals the whole of our imports in 1831; while our exports of cotton goods and iron are considerably more than double the whole of our exports in that year. Great Britain has been transformed into an enormous workshop, supplying the world with the products of its industry, and drawing from the ends of the earth the food on which more than half of its population live. Population has increased enormously, and has become more and more congested in the large towns, which have grown up round the centres of industry created by the coal and iron mines, or on the harbours from which our manufactures are despatched, and into which the raw materials and our food supplies are received. The universal application of machinery to productive industry has involved another great change, viz., in manufactures the absorption of all small industries into gigantic factories and undertakings, and in agriculture the amalgamation of small into large farms. This result was inevitable, for in small undertakings machinery could not be employed to the greatest advantage. With the increase of these large industries the fortunes of those who own them have year by year risen, and the wealthy capitalists have greatly increased in number.

I am not going to speculate on the future, nor am I going to inquire whether labour and capital have, or have not, respectively received their fair share in the increase of our national wealth. I have, in few words, sketched out some of the main facts of our recent commercial history, and of our present position, with a view of discussing some of the remedies which have been proposed for the evils under which it labours. That evils, moral, social, and physical result from the concentration of population, no one can doubt. Nor can any man with human sympathies fail to deplore the fearful contrasts between great wealth and abject poverty which present themselves to the least observant eyes in modern society. The problems suggested by the inequality of the distribution of wealth have exercised the ingenuity of politicians, philosophers, and philanthropists from the earliest ages of civilisation, and will exercise it to the end of time—

for no human ingenuity can counteract the laws of nature which work for inequality. That, however, is no reason why we should not do all in our power to improve the conditions under which the least favoured members of society live and have their being.

I will not pause to inquire whether this enormous increase of wealth and population has or has not added to the general happiness of the community. This is a speculative question. We must, as practical men, take things as we find them, and endeavour to make the best of them. The main effect of the development of our industries is that the population of these islands, congested in large cities, far exceeds that which could be supported by home-grown food—it is fed by bread and meat supplied to us from foreign countries in return for the manufactured articles which we send them; it is organised in great manufacturing bodies, directed by capitalists, either individuals or corporate bodies, who have to compete in the open market of the world for the sale of their commodities. This competition is becoming year by year more severe, for yearly, countries where labour is cheaper, or where the climate or other conditions are more favourable for many forms of industry, are increasing their powers of production. Failure with us would signify not merely that multitudes would lose their daily wages, but that supplies of our food would be arrested in proportion as our manufacturers supplied fewer articles for which they are exchanged.

In modern times the form which the struggle against inequality takes is jealousy and antagonism of labour to capital, or rather of the labourer to the capitalist, of the employed to the employer, and complaints that the employers' profits absorb an undue share of the produce which is called into existence by a combination of labour and capital. That this feeling exists throughout the world is proved, if proof were needed, by the disastrous riots which recently took place almost simultaneously in America and Belgium. Discontent with the distribution of wealth has led to the proposal of schemes of the most varied character, ranging from the most revolutionary theories which would abolish individual property altogether, to the mildest modification of the existing system. These schemes have been classified under three heads—

- (1) Communism.
- (2) Regulation.
- (3) Co-operation.

The first two are contrary to the experience of history; they violate sound economical laws, and, if adopted, they could only lead to disaster. The last is based on sound principles; it rests on the exertions, the prudence, and the knowledge of individuals, and as such it deserves all the encouragement we can give it. Some of you may be sanguine enough to think that co-operation may, in the lapse of time, supersede the existing conditions of commercial society. Though I may not share to the full these sanguine anticipations, I hold that co-operation has already conferred great benefits, and is destined in the fulness of time to confer still greater benefits on the labouring classes of the country.

If I am not wearying your patience, I should like to say a few words on the false theories which I have mentioned above, before I pass on to speak of co-operation.

The Socialistic theories, which unfortunately find expression in many parts of the world, aim, in their most extreme development, at the abolition of private property. They desire to reorganise society on a basis of common property, and equality of enjoyment of the fruits of industry by all its members; in their less pronounced forms, they advocate the assumption by the State of responsibilities for the welfare of individuals, either by providing them with public employment, or by supplying them with public money, to assist them in their struggle for existence.

The objections to Socialistic theories are mainly that they would destroy, or at least greatly impair, all the motives which induce men to exert to the utmost their mental, physical, and moral qualities, and by so doing would reduce the productive energy of society, and finally land us in ruin and misery. The advocates of Socialism fix their attention exclusively on the distribution of wealth. They seem to assume that there is a definite amount of wealth kept in some unknown receptacle, which only requires to be more equally divided to ensure the greater happiness of society. Nothing can be more false than this theory. Wealth consists of the number of useful or agreeable articles which are produced by the industry of men. These articles are being constantly consumed and reproduced, more or less rapidly, according to their character. If due provision is not made for replacing and increasing the stock of articles, which constitutes the wealth or capital of a nation, it follows that there must be less and less to distribute; and, depend upon it, the utmost exertions of all classes are required for production to keep pace with the consumption of an increasing population. Distribution depends on production, and is limited by it. Both depend on the maintenance of capital, and indeed on the increase of capital, otherwise with an increasing population there must be less to distribute to each individual. No scheme, therefore, for the improvement of distribution can be successful which tends to weaken the producing and accumulating energies of the community. Now, what are the motives which stimulate these energies? First, there is the desire of each individual to obtain the largest possible share of the commodities which are produced—the desire to improve his own position and to secure a competence for those who depend on him; then, there is the confidence that his property is secure—that he will be absolutely sure to reap where he has sown.

I admit that, according to this theory, reliance for commercial prosperity is only placed on the selfish feelings of man to benefit himself, and those who are nearest or dearest to him.

But can you, except in very rare cases, rely on any other motives to overcome the natural indolence of the mass of mankind? Can you rely upon anything beyond the competition of individuals to improve the general welfare of the community? I am speaking now from an economical point of view. I should be the last person in the world to underrate the importance of the unselfish motives, the friendly sympathies, the self-sacrificing acts of large numbers of men. Many hard things are said against competition, but I would remind you that the absence of competition involves monopoly, and further, I would remind you that all producers are also consumers, and that it is by competition that the price of articles that they consume is cheapened; and as regards their remuneration as producers, it cannot by any means

be made to exceed the proportion which capital bears to population. It is to be remembered that the welfare of individuals depends not on what they can earn in money alone, but also on the command which their earnings give them over commodities. Some writers would rely rather on the nobler unselfish desire to benefit humanity, which they maintain only requires encouragement to make it efficient. All I would say on this point is that mankind is at present far from attaining such an ideal condition as this hypothesis assumes; and if we attempt to base our commercial system on the principle that "Every man loves his neighbour as himself," we shall be attempting to build a house on the sand. It is contrary to all human experience. Small communistic societies have existed in the earlier stages of civilisation, and in later times; but they have invariably owed their origin and such cohesion as they possessed to the adherence of their members to some influential leader, or to the adoption of some religious or social systems which separated them from the rest of their fellows.

In its extreme form Socialism would utterly destroy the stimulus which I believe to be essential to prosperity. Property would be held in common; therefore the desire of ownership, one of the strongest of human desires, could not be gratified; or if partially gratified, its objects would be liable to confiscation for the benefit of the community; therefore there would be no *confidence*, a most important element in the social system. Further, the aggregate results of the labour of all individuals would be equally distributed among the whole community: consequently all stimulus to exertion would vanish, for the idle and shiftless would be as well off as the industrious and thrifty. Further, all restraints on improvident increase of population would disappear, the responsibilities of maintaining their children being transferred from the parents to the community.

Thus population would for a time increase, and the means of supporting it would decrease till starvation miserably refuted the fallacies on which the system was based.

In its less pronounced forms, Socialism involves in some manner or other the intervention of the community for the benefit of the individual. Here again the evils I have indicated above would appear in a more or less aggravated degree in proportion to the amount of State intervention. It is too often forgotten that the community is not an all-powerful being, existing apart from individuals, as Socialists would sometimes seem to assume. It is merely an aggregation of individuals. State contributions, therefore, mean that the majority of the individuals who compose it should contribute to improve the condition or to relieve the necessities of the minority who are supposed to be least able to take care of their own interests. The Poor Laws are, in principle, a mild form of Socialism. They are justified and justifiable on the grounds that the humane feelings of the community cannot and will not allow any individual to starve, even though his position may, as is frequently the case, be due to his own improvident acts; they were formerly abused, and led to great evils, grants of the public money given indiscriminately supplemented, and thus reduced the remuneration for labour. At present sounder principles are adopted, and the conditions which attach to receiving relief are calculated to deter individuals from seeking it except as a last resource. In proportion as you relax these conditions, and extend State aid, you must relieve individuals from

responsibilities for their own condition, and lessen the necessities for their own exertions. As an example of the effect of State aid, the French Government which was formed after the revolution of 1848, voted funds to establish co-operative industrial societies; and I believe it is a fact that in less than six years every one of the societies thus assisted came to grief, whereas other societies which relied on their own resources survive and flourish to the present day. Another point to be noticed in this connection is that State assistance must involve control. No State would contribute funds without demanding some control over the manner in which they were employed. Consequently, an individual who receives aid must in return sacrifice a portion of his liberty to dispose of his resources as he likes—a privilege which, morally and economically, is far more valuable to him than any advantages he is likely to gain. There is no doubt a tendency in the present day to think that the State may usefully intervene to do many things which individuals can do for themselves. This tendency appears in many legislative projects. I believe it to be entirely wrong in the interests of all classes—poor no less than rich. It is impracticable and inexpedient to go the whole length of what is called the *laissez-faire* or non-interference system of government. I am no *doctrinaire*. There are cases where individuals cannot help themselves, or where certain conditions render State intervention beneficial; for instance, no man can doubt but that the Factory Acts have been of immense advantage to the population. Similarly the Acts relating to coal and other mines have done more to give security to miners than could have been given by individual efforts. Other exceptional cases might be added, and still more may arise in future; but I contend that legislation having for its object State interference and regulation should be kept within the narrowest possible limits. The moment the State relieves individuals of responsibilities and duties which they ought to bear, you injure the characters of the individuals, and you may be sure that the duties will not be so efficiently performed, or the responsibilities so fully recognised—and a deterioration of the economical and moral condition of society will be the result.

If this intervention consists in the voting of public money, it is obvious that you would be using compulsorily the capital of some individuals for the benefit of others—not merely the capital of the wealthy, but the hard-earned savings of the industrious artisan or labourer, for the sake of assisting his less industrious or prudent fellow; you benefit the least deserving at the expense of the most deserving members of the community. But this is not all. It is almost certain that the funds thus distributed would not be profitably employed. If the projects to which they are applied were profitable, they would spontaneously attract capital and labour. It is because they are not profitable that State aid is required to nurse them; therefore, not only would the wealth thus employed produce no return, but it would be diverted from channels in which, had it been left alone, it would have fructified and added to the wealth and consequent happiness of the community at large.

I have indicated some of the reasons which prove the fallacious character of socialistic theories, and the dangers which would be incurred by their adoption in practice. I have only touched the fringe

of the subject, but I will not weary your patience by pursuing it further.

The second heading under which I classified schemes for augmenting the share of the results of production allotted to labour was termed "regulation." Under this head I include all proposals which have for their object the regulation of the rates of wages by some authority appointed by the State or otherwise.

Now, to understand the bearings of these schemes it is necessary to obtain as clear ideas as possible as to the nature of profits and wages, and the manner in which they are now regulated.

In all productive industries the results are divided into two parts. One part, profits, which are continually fluctuating, is paid to the employer, and is made up of three distinct elements—(1) Interest on capital expended in buildings, machinery, &c.; (2) Wages of superintendence and management; (3) Compensation for risk. And in accordance with the well-known rule, the greater the risk the greater must be the interest to induce a capitalist to run the risk. The other part is paid to the employed in the shape of salaries or wages, which are fixed from time to time, and do not depend on the fluctuations of business in the same degree as profits.

The rate of wages depends on competition—the employer endeavouring to obtain labour at the cheapest, the employed to sell it at the dearest rate. Ultimately it depends on the proportion which the amount of capital available for wages bears to the population. If population increases more rapidly than capital, wages must fall; and conversely, wages must rise. This general law is no doubt modified by local and special conditions; but is true if taken in its general application. Those who desire to regulate wages mean that they desire to fix a rate higher than the market rate. What would be the result of this? The increase of wages must diminish profits. If profits were reduced below their general level the capitalist would do one of two things—he would withdraw his capital from home industries and would invest it abroad, where it yielded a better return, and by the twofold process our foreign trade would be crippled; or he would recoup himself by raising the price of his commodities. In this case the labourer would not be benefited, because he would be able to purchase no more commodities than he could before the rise of his wages. And a still more serious result would follow. The rise in prices would handicap us even more severely than at present in our competition with foreign nations. We should be able to sell less to the foreigners, and general contraction of trade would follow, and the working classes would be the greatest sufferers.

For this reason I believe that any attempt to raise the remuneration of labour above the market level must inevitably fail in the long run. Even if it succeeded, and tended to raise prices temporarily, it would injure our foreign trade, not only temporarily but permanently, for we should have lost customers and sacrificed to our rivals a hold on the markets of the world, which would be regained with the greatest difficulty, if it ever were regained.

Then, again, it may be asked on what principle would wages be fixed, and by what authority?

As regards principles, vague phrases are often used, such as "A fair day's wage for a fair day's work." What are fair wages?

suppose the answer is—"Sufficient to enable a man and his family to live in comfort." But then what standard of comfort are you to adopt? This standard varies greatly even within comparatively narrow limits, and what on this principle would be high wages in one place would be low in another. Again, the cost of living varies greatly in urban and rural districts. The same wages in one district would enable a man to live in comfort, while in another they would reduce him to a miserable existence. Again, the labour of some men is far more valuable than that of others, or the trade in which they are employed is more dangerous or disagreeable. Are the wages of all men in the same trade, or of men employed in different trades, to be equalised? This appears to me an absurd proposition. If it is not adopted, how can you have innumerable standards to determine the varying rates of wages, which are due to the skill of the workman, or to the risks and discomforts of the employment. The mere statement of these questions shows how impossible it is to adopt any fixed principle for regulating the rate of wages. Then there is the further question to be answered—What is a fair day's work? Is it a day of seven, eight, nine, or ten hours? for it is quite clear that less can be produced in eight than in ten hours; therefore less can be earned, and a reduction of hours—wages remaining constant—is equivalent to a rise in wages, unless of course the additional leisure given to a man adds so much to his energies that he is able to turn out as much produce in the shorter as he could in the longer hours. I recognise most fully the importance and expediency of men not being overworked. They should have adequate hours free from the toil and drudgery of their daily life, which they can devote to their amusements or to the improvement of their education. But it is right to point out that unless labour increases in its productive power, a reduction of hours must involve a reduction of wages. Attempts have been made in past times to fix a minimum rate of wages which labourers were compelled to accept. These attempts were futile and mischievous. I believe it would be equally futile and mischievous to attempt to fix a rate of wages which employers should be compelled to give.

But if the interference of the State is admitted to be mischievous, can any other agency be found to raise the rate of wages?

This is one of the objects—by no means the sole, or even the principal object—of trade unions. The development of these associations is one of the great facts of recent history. Combinations of this nature were formerly illegal; their legal restrictions have long ago been rightly cancelled. As we have seen, the employers desire to obtain labour at the cheapest rate, and the employed to sell it at the dearest. In this process of bargaining, the employer has a great advantage if dealing singly with all these he employs; and he has this further advantage, that his resources enable him to hold out longer in the struggle than those whose daily bread depends on their daily wages. The employed are strictly within their right when they endeavour to bargain on more equal terms by combining together, provided that they do not force those who are unwilling to join the combination, and further, they are perfectly justified in demanding a readjustment of wages if in their opinion they are not receiving a fair share of the produce of their industry. I confine my remarks strictly to this branch of the operations

of trades unions, and even then I have not time to inquire into the effects which these associations have had on wages. Sir T. Brassey, a very competent authority, maintains that all they can do is to secure an advance of wages at a somewhat earlier date than it would come in the natural course, and to retard a reduction of wages temporarily. I very much doubt if more than this can be effected: for this reason, if the rise of wages reduces the profits of any trade below the general profits earned in other trades, capital will be withdrawn from that trade till a reduction of wages restores an equilibrium; if, on the other hand, the wages are so low that profits exceed the general rate, capital will be attracted and there will be a great competition for labour, therefore wages will rise necessarily. These readjustments, however, require time, and in the interval labour may be benefited by the pressure which in combination the employed are able to bring to bear on the employer. The last resource in cases of dispute is a strike on the part of the employed, and here again they are in their right to refuse to work unless they receive what they conceive to be fair wages according to the existing state of trade. It is a serious question, and one that requires great judgment to decide whether a strike is justifiable. In any case such an operation involves great loss of capital and of production, and great distress to a large number of families, but it involves a still greater danger; if it is successful it may impose on the employers the necessity of paying so highly for labour that their profits disappear, or they may even have to carry on their business at a loss. Rather than sacrifice their money invested in the concern they may continue to work for a time, but they cannot do so for long, and then they will transfer their resources to another locality or another trade. The workmen having obtained a temporary advantage will, in such a case, lose all prospect of employment—they will have killed the goose that laid the golden eggs. Instances could be quoted of the trade of a locality being destroyed by such measures as these. This warning is especially needful at the present time, when the depression of trade has reduced profits to the lowest possible limits. Arbitration has done something to mitigate the evils of strikes, and to prevent their occurrence; but arbitration, though it mitigates, does not, and I believe cannot prove a complete remedy for the antagonism of interests between employer and employed, which finds its last expression in disastrous strikes.

This antagonism is the natural result of the existing relations between the two classes in a highly-organised society in which the contrasts of wealth and poverty are so conspicuous. It is not unfrequently based on false opinions as to the mutual relations of capital and labour, and as to the share which capital obtains of the produce. It is not peculiar to any period or to any country. From the earliest ages of recorded history the struggle has been continued to the present day; and now, under all forms of government, from the despotism of Germany to the Republican government of America, the antagonism exists. It is to be noted that it is in the latter country that the largest amount of wealth is accumulated in the hands of individuals. This being so, is the system under which this antagonism exists necessary? Are its principles inherent in human nature, and in the organisation of commercial communities? Experience of the past

would, apparently, give an affirmative answer to these questions. I will not predict whether this experience will be confirmed by the future, but no reconstruction of society can ever abolish the distinction between the rich and the poor, or the discontent created by this distinction.

At the same time, though we may never be able to realise the Utopian dreams of a society bound together by brotherly love, and based on a recognition of the identity of interests of all its members; though we may never prevent the struggle for existence, which is the law of life in the whole physical world; though in struggles of population for subsistence we may never be able to counteract the causes which give advantages in the fight to the strongest and ablest, yet there is every reason why we should do all in our power to mitigate the severity of the struggle, to soften antagonisms which cannot wholly be avoided, and to endeavour, under sound economical principles, to diffuse the wealth created by a nation as widely as we can among its members.

This I take to be the main object of co-operation, which I placed as the third class of remedies prepared for existing evils. Co-operation is liable to none of the economical objections which in my opinion are fatal to Socialism or Regulation. It asks for no aid from the community. All it requires is absolute freedom from any restrictions on its growth. It is entirely self-reliant; it rests on the exertions of individuals, on the highest development of their moral and intellectual qualities; and on the due exercise of these qualities depends its success. Its objects are to create, as far as possible, an identity of interest between all concerned in distributive or productive industries; in the former by making the purchaser also the seller, in the latter by uniting in each member of the association the qualifications of capitalist and workman.

Possibly the ideals of its heartiest supporters may be unattainable; in any case it will take years or generations to develop them; but taking a humbler, and perhaps more practicable standing point, I can with confidence appeal to the history of this movement for proofs that it has already, in its infancy, been productive of much good, and that it gives promise of fair and healthy growth in the future.

The term "co-operation" is a very wide one. In a sense, all industry and trade depends on the co-operation of all concerned in it. In the narrower and more special sense in which we are using the term, it means that the profits of an undertaking do not go into the pocket of an employer, be that employer an individual, or several individuals united in partnership, but that they should be shared by the largest possible number of those who engaged in the undertaking, either as consumers or workers. In distributive societies the net profits on sales go to the consumer, while in productive societies, if the principle of co-operation is fully applied, the workers should be their own employers, operating with their own capital. But even in cases where the principle has not attained the fullest development, there are forms of organisation in which the principle of co-operation more or less enters, such as industrial partnerships, in which, though the employer is not eliminated, the employed share with him the profits of the undertaking. I scarcely know if I am justified in adding joint-stock companies, in which large numbers of the workmen have shares.

Co-operation in its modern sense is barely forty years old. There were earlier societies of self-supporting workers, but these were organised rather on the communistic than on the co-operative model. During the last forty years the system has had a great development, though that development has not been so rapid as its promoters may have anticipated. In different countries it has developed in different directions. In England it has been most successful in distribution. France led the way in production; while in Germany the co-operative banking system, established by Schulze Delitsch, has spread over the whole country.

The co-operative societies in their present form originated, as we all know, from the small beginnings at Rochdale, in 1844, when twenty-eight Pioneers started a small store with a capital of £28 on the principle of dividing profits on the amount of purchases.

The grain of mustard seed has since that time grown into a vast and flourishing tree. The twenty-eight men in 1844 have grown into 820,000 members of co-operative societies in 1885. And, as the large majority of these members are probably heads of families, the advantages afforded by co-operation are shared by a very considerable portion of the working population of Great Britain.

There are now 1,285 co-operative societies in Great Britain, with 819,809 members, and a share capital of £8,868,383. The annual sales amounted, in 1885, to more than £30,000,000.

In the distributive societies, the main principles generally adopted are—

- (1) All goods are sold for ready money only.
- (2) The ordinary market prices of the district are charged.
- (3) The profits are divided among the purchasers in proportion to the amount of their purchases.
- (4) All members must become shareholders to a small extent. This they may do by allowing their dividends to accumulate. No individual can hold shares beyond a certain amount. Interest at the rate of 5 per cent is usually paid on all shares.

(For these and many other particulars I am indebted to a most useful little work on co-operation written by Mr. A. H. D. Acland and Mr. B. Jones, entitled "Working-men Co-operators," which I strongly recommend to those who desire to obtain further information on the subject of co-operation.)

In addition to the retail stores there have been established two wholesale stores, one in England and one in Scotland, which are federations of the retail stores. The English stores was established in 1864, the Scotch a few years later. The sales effected by these stores amount to more than £6,000,000 annually, and they supply about one-third of the goods supplied by the retail stores.

The spread of co-operative stores is a sufficient proof of the advantages which they afford to consumers, and in an assembly such as this it is superfluous to enlarge on these advantages. On the consumer, as consumer, they confer two benefits, the importance of which it is impossible to over-estimate; they secure him against debt by the stringent adoption of ready-money payments, and they guarantee him, against adulteration and inferior quality of articles, the

interest of the buyer and seller being identical. If co-operative stores had only established a ready-money system they would have done much to earn the gratitude and support of the working classes. Before they were started the credit system was universal, and through their action cash payments are now demanded by many retail dealers as well as by the stores themselves. Still purchasers for ready money are, I fear, rather the exception than the rule. There is nothing more fatal than debt to the progress of a man—it fills his life with anxieties and worries, it demoralises his moral and mental character, it prevents him from rising in the social scale, it drives him too often to crime and dissolute habits. Above all it destroys his independence and self-reliance. I do not blame the retail dealers for giving credit; they cannot help themselves, they cannot fight single-handed against a custom sanctioned by public opinion; if they refuse credit they lose customers. I do not believe that this custom could have been successfully attacked, except by some such powerful influence as the stores. I am quite convinced that no greater benefit can be conferred upon the working classes, and I might add on all classes of the community, than to impress upon them by practice and by precept the enormous moral and pecuniary advantages of a ready-money system of payment for what they require.

Then, as regards the quality of articles furnished by the stores. Again I do not say that small retailers knowingly sell adulterated and inferior articles at a price at which genuine articles could be obtained. Though in the competition to which their business is subjected there is a great temptation to resort to these means of obtaining a hardly-earned subsistence. Putting this aside, it is obvious that stores having direct access to the wholesale markets, and buying large quantities at a time, have much better opportunities of obtaining the best supplies for their customers.

Moreover, as I have already pointed out, no one is interested in selling inferior articles with a view to profit; on the contrary, it is directly to the interest of all concerned, the buyer being also the seller, that the best things should be supplied. A very short experience will teach the most incredulous the great economy of obtaining genuine and good supplies, even if they pay a little more for them.

Now much has been said about the competition of co-operative stores with shopkeepers. That there is this competition—just as there is competition between large shops and small shops—no one can deny; but the competition is a perfectly fair one in both cases. The retailer, who has a fair capital and a well-managed business, will, I believe, with the advantage of individual management, be always able to hold his own; and I for one should be sorry to think that he could not; for the retailers constitute a most useful and respectable class of society. But when you look at the petty retailers, whose small business is conducted on the credit system—without sufficient capital, without experience, without opportunities of buying their goods at an advantage—is it not evident that there must be great waste of power and capital, and those who deal with these shops must suffer either in the quality of their supplies or in the charges for them? Many of these shops are by degrees being absorbed by their larger neighbours, and I do not see why they should complain of the competition of the stores with more reason than of the competition of larger shops.

In addition to the direct advantages afforded by co-operation to consumers, there are indirect advantages of scarcely less importance.

The payment of a dividend on purchases, and the requirement that the purchasers should become shareholders in the undertaking, afford a much needed encouragement to thrift and economy, and at the same time supply to the small investors by an almost automatic process an easy and safe investment for their earnings. Articles, as we have seen, are sold by the stores at their market price, which is somewhat more than their cost price in addition to the expenses of management; the difference constitutes the dividend distributed to purchasers periodically. The same advantage might be given to purchasers by allowing a discount on each article purchased, or, in other words, selling at less than the market price; but the principle adopted by you seems to me to be sound and wise, for the lower price at which your ready money system and concentration of business would allow you to sell your articles would in each case be hardly appreciable; whereas the return of a sum of money each quarter is a tangible fact which can be at once appreciated and valued, and the encouragement given to invest these dividends in shares bearing interest is the best of all means of inducing the working men to save and accumulate a little capital.

Then again I attach great importance to the education, in its widest sense, which is gained by co-operative industry. A little practice is worth a good deal of preaching. The effort and the sacrifice of immediate enjoyment involved in saving a portion of his wages must necessarily elevate the character of a man; and when he has succeeded in accumulating a little capital, that fact alone gives him a sense of independence and of responsibility which will influence every feeling and action of his life.

Moreover, the interest which he will take in the management and organisation of an undertaking in which he holds a share must teach him social and economical lessons of the greatest value.

In a practical way he learns something of the economical structure of society—of the relations of labour and capital, and of the inner workings of large commercial establishments. He finds himself becoming almost unconsciously a small capitalist; he becomes more and more aware of the value of making a provision for a rainy day, and he becomes more and more interested in the management of the undertaking in proportion as his stake in it increases. He may become a member of the managing committee, and enjoy the advantages, and perhaps disadvantages, involved in the responsibilities of office.

In all these ways the working man receives lessons of the greatest importance, which must greatly influence his habits of life, and give him broad and sound views of economical problems.

These are some of the advantages of co-operation as applied to distribution. They are so universally acknowledged that I need say no more on this head.

I will now turn to the productive side, and ask whether co-operation can be applied to production as well as to distribution.

The last returns, viz., 1885, contain the names of 47 productive societies in Great Britain engaged in the following trades:—12 in cotton, linen, silk, or wool manufactures; 7 in leather; 6 in metal

works; 10 in various trades; 4 in farming; and 8 in corn milling. The corn mills occupy by far the most important place in this list.

| | 8 Corn Mills. | 39 other Societies. |
|---------------------------------|---------------|---------------------|
| Number of Members in 1885 | 13,490 | 6,328 |
| Share capital | £379,489 | £225,490 |
| Goods sold | £1,038,395 | £678,910 |

Thus it will be seen that the 8 corn mills have twice as many members and do nearly twice as much business as all the other productive societies. Of the remaining societies, the two boot factories owned by the Wholesale Society, sold £132,000 worth of goods, and the Rochdale Cotton Cloth Factory, which is practically a joint-stock company, sold £187,000. Deducting these, it will be seen that the value of the goods sold by the remaining 36 societies did not amount to £350,000 in 1885.

The farming ventures were, I regret to see, far from prosperous. One made a very small profit, whereas three lost between them £1,400.

This is certainly not a satisfactory report of the progress of co-operative production, more especially when it is remembered that in several of these establishments—especially, I believe, in Rochdale cotton factory, in the corn mills, and in the boot factories worked by the Wholesale Society—the main principle, as I regard it, of co-operative production, viz., that the worker should share in the profits of production, is not applied. The mills are worked solely for the benefit of the *consumers*. The workers are employed for daily wages as in other establishments, the difference being that in this case, instead of working under a capitalist who manages his own establishment, they are working under a manager appointed by a co-operative society which supplies the necessary capital. The worker is not directly interested in the articles which he is assisting in producing; he is only indirectly benefited, if he is a member of a distributive society, in sharing the profits of production, in the shape of increased dividend, in the purchases he makes at the stores. The principle of this system is to benefit the consumer. It does not, I understand, altogether exclude the possibility of also granting to the worker a share in the profits of his work, but it does not regard this as an indispensable condition. I should be sorry, with the little knowledge I have of the subject, to commit myself to any definite opinion on a subject on which experts are by no means unanimous; but I own that this does not appear to me to be in the true sense of the term co-operation. If co-operation, both in production and distribution, were universal, the producing supplying the distributing societies, no doubt every producer would, as consumer, ultimately obtain his share in the profits of production; but, even under these conditions, the profits of production, filtered through distributive stores, would in each individual case be too small to be appreciable, and they would not, and could not be separated and distinguished from the profits of distribution. The worker would, as at present, depend exclusively on his wages, regulated by competition; if he considered that his wages were too low, he would scarcely be satisfied by being informed that the profits of the business were high, and that as a purchaser at a co-operative store he shared in the profits of his own and all other co-operative undertakings which supplied his store. If it were the case, it would be extremely difficult to make him realise this fact, as it is to bring

home to men's minds many economical facts. The large capitalist would no doubt be replaced by many small capitalists—a fact the importance of which I do not underrate—but the problem involved in the relative remuneration of capital and labour would not, it seems to me, be much nearer solution than it is at present.

The main object of co-operative production should, as it appears to me, be to give the worker some direct interest in his work beyond the receipt of his daily wages. If this can be done, you increase profits by diminishing the waste occasioned by neglect of plant, by indifferent work, and want of industry. It would be to the interest of each individual to exert himself, and to see that his companions exerted themselves also. It would be to his interest to produce the best possible articles. And what is still more important, you would be trying to solve, on sound principles, one of the great questions of modern economical society. Co-operation has a far more difficult question to deal with in production than it has in distribution. In the latter judgment is required no doubt in purchasing to advantage, and in the management of the business, but the store has its market ready for its goods; the demand does not vary greatly or rapidly, if it does the supply can, without difficulty, be regulated to suit their variations. No technical or scientific knowledge is required. In proportion to the amount of business done a very small capital is necessary, and there is little necessity for providing against the risks of business, or periods of commercial depression.

In production all these conditions are reversed. Success depends on technical and commercial skill. Technical skill and inventive power of the highest order, in improving the quality of the goods produced or in devising new and economical methods of production; commercial skill, in finding a market for goods when ready for market, and in taking immediate advantage of every turn in the market. This I need not say requires wide knowledge and long experience, and beside this it requires what has been termed commercial instinct—a quality which comparatively few men acquire.

Further, for the exercise of these qualities—capital is required to enable the producer to tide over bad times, and to postpone his sales when prices are low, so as to take advantage of the rise, which may be deferred for a long period.

These conditions do not of course apply with equal force to all kinds of productive industry. They are most important in those branches of industry where capital invested in machinery and other plant bears a high proportion to the manual labour employed. These industries seem to present the least favourable field for the application of co-operative principles.

Individuals will always be more apt than combinations of individuals to arrive at prompt decisions—to run risks with a view to prospective advantages, and to support losses in case of failure.

I should be sorry to say that co-operation cannot be made generally applicable to production on a large scale. If it is to be successful the co-operators will have to learn the enormous importance of able management. They will have to obtain the services of the best managers they can find, and they will have to pay very highly for their services. And, further, they will have to place great trust in such a manager.

They will have to subordinate their own opinions to his superior judgment—he of course being ultimately responsible to them. These conditions will not easily be fulfilled, and even if they are there is some reason to doubt whether a manager responsible to a committee, or a committee responsible to a large constituency, would be so ready as an individual responsible only to himself, to run the great risks which, in commercial affairs, are often inseparable from great success.

I admit, however, with satisfaction that the cotton mills established on the joint-stock principle by the working men at Oldham, your last place of meeting, prove that working men can conform to the conditions stated above, and that they can carry on with success large industrial establishments. They have not, it is true, adopted the principle of workers sharing profits, which I regard as the corner-stone of co-operation; but they indicate progress, they indicate the possibility of working men becoming small capitalists, and they tend to a more general diffusion of wealth.

Co-operative production is in the experimental stage; and any attempts to interest the workers in production, even if they do not come up to the highest co-operative standard, deserve encouragement and trial. It is of great importance to advance with caution and to avoid failures which would discredit the whole system. The safest trades to embark in are obviously those in which capital bears a low proportion to labour. In these the risks are the smallest and the advantages the greatest, for it is in improvement and economy of labour that co-operation will tell most.

In starting such trades one of the great initial difficulties is of course the provision of sufficient capital. This has been met in some cases by establishing what have been called industrial partnership, *i.e.*, partnerships between employers and employed, in which the former provide the bulk of the capital, and the profits are shared in certain proportions between employers and employed. The Act amending the Law of Partnership, passed in 1865, first gave legality to this system. The well-known Maison Leclaire, in Paris, is the typical instance of this mode of applying co-operation. This society now affords employment to 1,200 decorators, and during the last ten years has made a net profit of £73,000. Its success has led to the establishment of a similar society in London, *viz.*, the Decorative Co-operators' Association. In this case the gentlemen who have provided the necessary capital have perhaps acted rather on philanthropic than on strictly commercial principles, but if success attends their efforts, they anticipate that ultimately the workers will hold a sufficient portion of the capital to make the entire establishment a self-governing body. Therefore, the principles adopted by this society are genuinely co-operative, and may, I trust, be attended with success. If they are, imitators are sure to arise.

No doubt enterprises of this kind will be of immense use in disseminating sound ideas as to co-operation, provided that they can be shown to pay—and under good management and sound administration, I see no reason why they should not. Their great advantage is that they may encourage imitation among the working men themselves. It is well, perhaps indeed necessary, that working men should receive extraneous assistance in trying what is an experiment; but if the principle is to be widely applied they must depend on themselves, and

not on extraneous aid. The number of men capable of giving this aid who have the abilities, time, and money to devote to these objects is infinitesimally small. They can do great service by starting a movement and giving it direction—the workers, who are most interested in its success, must take it up for themselves.

Short of such industrial partnerships attempts have been made to apply in a measure the principles of co-operation, without interfering with the existing relations of employer and employed, by giving the employed a share of profits in the shape of a bonus in addition to their wages. I do not know how far this principle has extended—it can be successful only if experience shows that it pays, *i.e.*, that the bonus dependent on profits is a sufficient inducement to the workers to work harder and better than if they were only working for ordinary fixed wages; otherwise the bonus must, *pro tanto*, diminish the profits of the employer to a point at which it would be no longer his interest to devote his time and ability, or to invest his capital in the business. There are undoubtedly great difficulties in the practical application of this principle, as there are difficulties in the way of all co-operative production. I have pointed out some of these difficulties, not with a view of discouraging you in your efforts, but with a view of stimulating you to meet them.

Nothing can be more unwise than to close your eyes to the obstacles which may stand in your way. The first step towards surmounting these obstacles is to obtain a thorough knowledge of their nature and conditions. The future of co-operative distribution did not appear very hopeful when the Rochdale Pioneers opened their little shop forty years ago; it has gradually but steadily developed to its present proportions. In production, for reasons I have already given, the task is more difficult; but if, as I believe, it is based on sound principles, I see no reason for despairing of success. Your main difficulties will be want of capital and absence of efficient united management. The former can only be gradually accumulated by the exercise of thrift and care; the latter can only be ensured by due subordination and discipline, and by the constant sacrifice of personal opinions and inclinations.

I lay great stress on the importance of management, because it is apt to be underrated, because when complaints are made that the employers obtain an undue share of the results of productive industry, it is too often forgotten that this is due in most cases to the skill exercised by the employer, either in the operations of production or in the disposal of his produce. Whatever the organisation of industry, whether profits go to the few or to the many, true skill will and must always earn its reward. If co-operation is to compete successfully with individual enterprise, it must spare neither pains nor money in obtaining the ablest administrators to conduct its business.

Your main object is to eliminate from distribution and production all elements which are not essential to the working of the commercial machine. Experience alone can prove what is essential and non-essential, and in proportion as the latter are eliminated, the share of the former in the proceeds of industry will be increased. In many trades, the middlemen, who intervene between the producer and consumer, and who each absorb a portion of the profits of each transaction, might be dispensed with if the producers were judiciously organised. How far the com-

binations of workmen can replace the capitalist and employer remains to be seen. In many small trades, requiring but little capital, this system has been successfully adopted, and in some large establishments, such as the Oldham mills, workmen capitalists have proved themselves capable of managing an extensive business.

The safest course, though I do not venture to give advice, seems to me to advance prudently and gradually, running as few risks as possible, and proving to the world, by the success of your experiments, that your principles are sound.

You cannot, I believe, destroy the competition of which we sometimes hear what I venture to think unreasonable and unreasoning complaints. You cannot hope suddenly to reorganise society on your own model, but you can do much to benefit society, especially its working classes. Your system is based on principles opposed to Socialism or State regulation. To Socialism because you are endeavouring not to destroy individual ownership, but to diffuse it; to multiply the number of small capitalists, and to stimulate them by the hope of acquiring a small property of their own, and by the assurance that, having acquired it, they will enjoy it in security. To State regulation, because you rely for success on the unassisted efforts of each individual; your efforts are directed to rendering the working classes self-reliant; you trust to self-help, which is the basis of our commercial and political power as a nation.

You are striving to bring about a more equable distribution of wealth—not by violence or by confiscation—the dangerous expedients of anarchists, which, by destroying commercial confidence, would drive capital to other and safer shores, and would ruin the industry and commerce of the country; but by the wiser course of encouraging men to help themselves, and showing them how this may be done on sound principles of economy. And thus you are aiming not only at improving the material prosperity of your fellow-workers, but at elevating their moral and social condition by the practice of thrift and self-sacrifice and by the necessity for discipline and unity of action, without which your system will fail.

Every man who has the interest of his country at heart cannot but desire to further these great and beneficent objects. Your progress may not be as rapid as you may wish—it is far better to be sure than rapid. In cases where success is not assured by experience, the old Latin proverb, *festina lente* (hasten slowly), teaches us a lesson not to be despised. Whether in the future co-operation will realise or disappoint the expectations of its most sanguine advocates I should be sorry to predict. In any case, you have the satisfaction of knowing that, even thus far, your efforts have conferred great benefits on thousands of families, and you have good reason for hoping that these benefits will be more and more widely diffused as your field of operations extends and as the knowledge of your principles become more generally disseminated.